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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
10/043,984	01/09/2002	Michael D. Brown	057799-2006 (157450-0011)	8464

7590 03/13/2007

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EXAMINER	
MALHOTRA, SANJEEV	
ART UNIT	PAPER NUMBER
3693	

SHORTENED STATUTORY PERIOD OF RESPONSE	MAIL DATE	DELIVERY MODE
3 MONTHS	03/13/2007	PAPER

Please find below and/or attached an Office communication concerning this application or proceeding.

If NO period for reply is specified above, the maximum statutory period will apply and will expire 6 MONTHS from the mailing date of this communication.

Office Action Summary	Application No.	Applicant(s)	
	10/043,984	BROWN ET AL.	
	Examiner	Art Unit	
	Sanjeev Malhotra	3693	

-- *The MAILING DATE of this communication appears on the cover sheet with the correspondence address* --

Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) OR THIRTY (30) DAYS, WHICHEVER IS LONGER, FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

1)☒ Responsive to communication(s) filed on 09 January 2002.

2a)☐ This action is **FINAL**. 2b)☒ This action is non-final.

3)☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

4)☒ Claim(s) 1-13 is/are pending in the application.

4a) Of the above claim(s) _____ is/are withdrawn from consideration.

5)☐ Claim(s) _____ is/are allowed.

6)☒ Claim(s) 1-13 is/are rejected.

7)☐ Claim(s) _____ is/are objected to.

8)☐ Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

9)☒ The specification is objected to by the Examiner.

10)☒ The drawing(s) filed on 05-20-2002 is/are: a)☐ accepted or b)☒ objected to by the Examiner.

Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).

Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).

11)☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

Priority under 35 U.S.C. § 119

12)☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).

a)☐ All b)☐ Some * c)☐ None of:

1.☐ Certified copies of the priority documents have been received.

2.☐ Certified copies of the priority documents have been received in Application No. _____.

3.☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

* See the attached detailed Office action for a list of the certified copies not received.

Attachment(s)

1) ☒ Notice of References Cited (PTO-892)
2) ☐ Notice of Draftsperson's Patent Drawing Review (PTO-948)
3) ☐ Information Disclosure Statement(s) (PTO/SB/08) Paper No(s)/Mail Date _____.
4) ☐ Interview Summary (PTO-413) Paper No(s)/Mail Date. _____ .
5) ☐ Notice of Informal Patent Application
6) ☐ Other: _____.

DETAILED ACTION

This is the first Office Action in response to the application filed on January 9, 2002 and titled: "Wealth Transfer Plan Using In Kind Loan Repayment With Term Insurance Protection For Return Of Note".

Drawings Objections

The Drawings (Figure 1 to Figure 3 on three sheets) submitted by the Applicant were initially filed on January 9, 2002, and re-filed on May 20, 2002. The Examiner notes that the aforesaid three Drawings filed in May 2002 by the Applicant are not labeled as "Replacement Sheet" pursuant to 37 CFR 1.121(d). Further, the Examiner notes that the aforesaid set of May 2002 filed Drawings is different from the set of Drawings filed as the January 2002 Drawings in that the May 2002 Drawings have better margins and are more centered in their placement within the sheet/page.

The reference to "split-dollar agreement 21" in 3rd line of paragraph [0014] of the Specification is Not supported in the three Drawings submitted by the Applicant. The Drawings are objected to as failing to comply with 37 CFR 1.84(p)(4) because reference characters "17" and "21" have both been used to designate "split-dollar agreement". Corrected drawing sheets in compliance with 37 CFR 1.121(d) are required in reply to the Office action to avoid abandonment of the application. Any amended replacement drawing sheet should include all of the figures appearing on the immediate prior version

of the sheet, even if only one figure is being amended. Each drawing sheet submitted after the filing date of an application must be labeled in the top margin as either "Replacement Sheet" or "New Sheet" pursuant to 37 CFR 1.121(d).

The reference to "loan" in Figure 2, box 27 is Not supported by the claims of this invention, because the claims do not have any proper reference to a "loan" (please see details in Claim Rejections under Section 112, Second paragraph).

The Examiner also notes that all the submitted Drawings (#1, #2 and #3) are hand-sketches; are not professional Drawings; and have cursive hand-written notes. However, per MPEP §608.01, the Specification text, including text in Drawings, is required to be either typewritten or machine printed in a non-script type font.

The aforesaid three Drawings submitted by the Applicant are Not acceptable, as they are also Not in compliance with the following titled paragraphs of 37 CFR 1.84:

(l) Characters of Lines, Numbers & Letters --- as required per the statute, "Every line, number and letter must be durable, clean, ... and uniformly thick and well-defined.", and this section requirement applies to all hand-sketched Drawings submitted by the Applicant.

(p) Numbers, Letters and Reference Characters --- as required per the statute, 1.84 (p)(1) specifically states, "Reference characters (numerals are preferred), sheet numbers, and view numbers must be plain and legible, and must not be used in association with brackets or inverted commas, or enclosed within outlines, e.g., encircled.", for example, but not limited to, all references (circled A to P) in Drawing #3 are enclosed within outlines, i.e., encircled. Also, 1.84 (p)(1) states, "Reference

characters should be arranged to follow the profile of the object depicted.", for example, but not limited to, in Drawing #3, higher-numbered reference characters 18 and 18a precede many other lower-numbered reference characters 10, 10a, 12, 12a, 14,14a, 16 and 16a. Further, 1.84 (p)(3) states that "Numbers, letters and reference characters must measure at least 0.32 cm (1/8 inch) in height.", and so on ..... (please note that upon measuring, the size of letters in Figures 2 and 3 is less than one-eighth of an inch) --- Applicant is advised to check all sub-paragraphs of 37 CFR 1.84 (p), especially the ones indicated above, and ensure that after any corrections that may be made by the Applicant, the Drawings should also comply with the sub-paragraph (5).

(t) Numbering of Sheets of Drawings --- as required as per the statute, "The number of each sheet should be shown by two Arabic numerals placed on either side of an oblique line, with the first being the sheet number and the second one being the total number of sheets of drawings, with no other marking."

Appropriate correction is required per 37 CFR 1.85.

New corrected drawings in compliance with 37 CFR 1.121(d) are required in this application because of the deficiencies noted above in this Office Action. Applicant is advised to employ the services of a competent patent draftsperson outside the Office, as the U.S. Patent and Trademark Office no longer prepares new drawings. The corrected drawings are required in reply to the Office action to avoid the abandonment of this application. The requirement for corrected drawings will not be held in abeyance.

Specification Objections

Examiner has reviewed the 7-page Specification dated January 9, 2002 submitted by the Applicant. The Specification is objected to because of the following erroneous informalities, and this is not an exhaustive list of errors:

The reference to "split-dollar agreement 21" in 3rd line of paragraph [0014] of the Specification is Not supported in the three Drawings submitted by the Applicant. The current Specification is objected to and it needs to be corrected, because reference characters "17" and "21" have both been used to designate "split-dollar agreement".

The reference to "trust" is unclear about how this invention's process and/or method of '*actual wealth transfer*' between a '*transferor*' and a '*transferee*' is consummated in this transaction (i.e., transfer of wealth), given that the Applicant has described within the Specification the "transferor" (or giver of wealth) to be "a trust" as recited in paragraph [0011], while the Applicant again describes the "transferee" (or receiver of wealth) to be "a trust" as recited in paragraph [0012]; thereby making both the entities ('transferor' and 'transferee' of wealth) to be the same embodiment, i.e., "a trust". Further, it is even more confusing from review of Applicant's submitted Figure 1 that shows a 2-way transfer of wealth between the "transferor" and the "trust" --- presumably the "transferee" (obviously, it can Not be the "transferor" again)--- and it is Not supported by step (a) of independent Claims 1, 6, 11, & 12.

Appropriate corrections are required. Applicant's cooperation is requested in correcting any errors of which the Applicant may become aware in the Specification.

Claim Rejections - 35 USC § 101

35 U.S.C. 101 reads as follows:

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

Claims 1-13 are rejected under 35 USC 101 because the claimed invention is directed to non-statutory subject matter.

The disclosed invention lacks utility, because an ordinary person skilled in the art can Not practice this invention as claimed and disclosed herein, since this invention has disclosed the only way to determine the "economic benefit" in its Specification is by using IRS Table PS 58 (please see paragraphs [0023] and [0028] for the only five citations of "economic benefit" as described above).

Claim 1 recites a "method (plan) of transferring wealth". The claimed invention is directed to non-statutory subject matter, because the claimed invention recites details of a 'wealth transfer plan', or "... transferring wealth in an effective manner while reducing the tax consequences of the transaction" (per paragraph [0001] of the Specification), without the ability to produce a "useful, concrete and tangible result" that can be repeated by a person skilled in the art based on the claims in this application, because the 'wealth transfer plan' can Not be implemented by a person skilled in the art as recited in claims due to the said person's inability to use the IRS Table PS 58 for "valuing" and for "tax reduction", since the use of Table PS 58 had been revoked by IRS a year earlier in January 2001, and it has become obsolete ---per IRS "Notice 2002-8"--- after

January 1, 2004, because December 31, 2003 was the expiration date set by IRS for previously set-up 'grandfathered' split-dollar life insurance plans.

That the Examiner notes that the Applicant has admitted to being aware and has in its possession the knowledge of the revoked status of the IRS Table PS 58, per the Applicant's own submitted IDS form, filed on November 22, 2002, in which one of the five NPL documents is the 3-page IRS "Notice 2002-8", titled "Split-Dollar Life insurance Arrangements", which clearly states in the beginning paragraph on its page 398, first column that the aforesaid IRS Notice #2002-8 "Revokes Notice 2001-10", and that Notice #2001-10 referred to the "valuing" of "current life insurance protection" being "provided by split-dollar life insurance arrangements" as well as "the Federal tax treatment of split-dollar life insurance arrangements". Also, per the claims of this invention as to the utility of this claimed invention in: "reducing the tax consequences of the transaction" was also revoked by the IRS per its Notice #2001-10. Thus, this claimed invention is reciting a method that lacks utility in this application, since in its claims, it recites the use of an already revoked use of a "valuing" method per "IRS Table PS 58" after a year it had been revoked by the IRS, and its utility in reducing the tax consequences has also been revoked by the IRS at the same time; and hence, the claimed "new invention" for a patent herein lacks the utility to produce a "useful, concrete and tangible result" as recited in the claims of this application.

Claim 1, when viewed as a whole, recites steps in a "method (plan) of transferring wealth" that lacks utility, and is thus inadequate, to produce the

repeatable results by a person skilled in the art as described above. Further, the Examiner notes that the Applicant's invention does not have a new or novel process or method since the "Split- Dollar Agreement" referenced by the applicant in its Specification and Figures 1 and 2, has been around since the 1950s, if not earlier, as the IRS "Rev. Rul. 55-747" refers to a "Revenue Ruling from 1955, numbered 747", and hence the Examiner fails to see what the Applicant has described as its claims or the field of invention in paragraph [0001] is "new or novel" in year 2002, when it has existed for about half a century (fifty years) or longer.

Claim Rejections - 35 USC § 112

The following is a quotation of the first paragraph of 35 U.S.C. 112:

The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same and shall set forth the best mode contemplated by the inventor of carrying out his invention.

Claims 1-13 are rejected under 35 U.S.C. 112, first paragraph, as failing to comply with the written description requirement for enablement of this invention.

The Claims in this 'new' invention contain subject matter, as described and explained in sections above and below, which was not described in the Specification in such a way as to reasonably convey to one skilled in the relevant art that the inventor(s), at the time the application was filed, had possession of the utility of the claimed invention.

Another example, but not limited to, refers to the purchase of an "insurance policy" at some cost in step (b) of independent Claims 1,6 & 11 and in step (c) of independent Claim 12, when the Applicant has Not defined what type of "insurance[1] policy" is being purchased (for example, life, health, automobile, mortgage, etc.) in these claims, and even within the category of life insurance (the category to which this invention seems to be directed to per the Examiner's reading of this invention, though it can easily apply also to mortgage insurance), the claim does Not state on whose life or lives is this "insurance policy" for; and the Examiner notes that there are many kinds of life insurance policies, such as term life, whole life, variable life, universal life, ordinary life, adjustable life, etc.

In addition to the basis of rejections described in sections above, the Examiner notes that the claims in this application have Not described as to how the value of a note is determined in Claim 1, step (a), which could be below the less than, equal to, or greater than the face value of the purchase of a presumed life "insurance policy" of some kind in Claim 1 , step (b). The "valuing" of an "economic benefit" as described in Claim 1, step (c) lacks utility as described above, and it is Neither related to the value of the "note" to enable the "wealth transfer plan" to take place Nor is it related to the face value of "insurance policy" for the term portion.

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[1] INSURANCE is defined in the "Dictionary of Insurance Terms", 4th Edition, published by Barron's Business Guide, page 244, as the *"mechanism for contractually shifting burdens of a number of 'Pure Risks' by pooling them."* Further, the same Dictionary defines 'Pure Risk' on page 411 as a *"situation involving a chance of a loss or no loss, but no chance of gain. For example, either one's home burns or it does not; this risk is insurable."*

Further, the Examiner has searched for "IRS Table PS 58" on the IRS web site, but has been unsuccessful in finding it. However, this search led the Examiner to IRS Notice 2001-10, which was published as part of "Internal Revenue bulletin", "Bulletin No. 2001-5", published on January 29, 2001, on pages 459 to 464 (copy attached herewith as ready reference), wherein it clearly states on page 462, in the middle column, under sub-section "B. Revised Standards for Valuing Current Life Insurance Protection", which is part of section "IV. INTERIM GUIDANCE" that started on page 461, middle column, the IRS has clearly stated on page 462 under sub-section B.: *"1. Rev. Rule. 55-747 <u>is hereby revoked,</u> and the <u>IRS will no longer treat or accept the P.S. 58 rates set forth therein</u> as a proper measure of the value of current life insurance protection for Federal tax purposes. Nonetheless, <u>for taxable years ending on or before December 31, 2001,</u> taxpayers may continue to use the P.S. 58 rates set forth in Rev. Rul. 55-747 for purposes of determining the value of current life insurance protection provided to an employee under a split-dollar arrangement or a qualified retirement plan."* The Examiner notes that the Applicant has Not described its claimed invention as a 'new method' or 'new process' since the very foundation of this Applicant's invention is based on the <u>"said valuing"</u> ---recited in all four independent claims--- to be <u>"performed according to IRS Table PS58"</u> ---recited in three dependent claims--- and that this very "valuing" foundation of this application was not valid and lacked utility for a person in the art to practice it on the very day that this Applicant filed its claimed invention to the US PTO on

January 9, 2002, and that a person skilled in the art would not be able to produce repeated concrete results of the claimed invention due to the inability to use IRS Table PS 58 anymore, since the Applicant has claimed in paragraph [0001] of its Specification that the "present invention relates ...." to "....... reducing the tax consequences of the transaction", and the IRS in its Notice 2001-10, on page 462, has clearly stated that the use of Table P.S. 58 is only limited upto tax years ending on or before December 31, 2001. IRS states further in the middle column of page 462, subsection B.: *"2. .... With the revocation of Rev. Rul. 55-747, the rates set forth in Table 2001 (Ed.---shown on pages 463 & 464) are provided as an <u>interim substitute for the P.S. 58 rates</u> that taxpayers may rely upon ....",* and it continues on to clarify that *"The premium rates set forth in Table 2001 are <u>materially lower than the P.S. 58 rates</u> at all ages.",* and the Examiner notes that rates in Table P.S. 58 could change or vary from year to year, given the above explanation and by IRS on page 460, third column, under sub-section "B. Value of Current life Insurance Protection" that *"The P.S. 58 rates set forth in Rev. Rul. 55-747, which are based on mortality tables originally published in 1946, no longer bear an appropriate relationship to the fair market value of current life insurance protection."* IRS further states on page 461, first column under the same section about economic benefits being "understated" by the use of "P.S. 58 rates" and the IRS clearly states that *"No published guidance has authorized reliance on the P.S. 58 rates for this purpose.",* thereby causing the Examiner to reject all claims referencing the term "economic benefit(s)".

The Examiner also notes that based on the searches done by the Examiner, all the previous rulings mentioned in Notice 2001-10 with reference to Table P.S. 58 were Not found on the IRS web site anymore since they have been revoked and are No longer listed by the IRS as something that is legal and valid currently; for example, but not limited to, for Rev. Rul. 55-747 --- see the attached Revenue Rulings Archive – 1955 which does not show Rev. Rul. 55-747, but ends at Rev. Rul. 55-716 (2nd page). Similarly, the Examiner has attached the Revenue Rulings archives from 1964 (showing the missing Rev. Rul. 64-328 on 2nd page), from 1966 (showing the missing Rev. Rul. 66-110 on 2nd page), from 1967 (showing the missing Rev. Rul. 67-154 on 2nd page), from 1978 (showing the missing Rev. Rul. 78-420 on 5th page), from 1979 (showing the missing Rev. Rul. 79-50 on 1st page). Hence, all these search attachments from the IRS web site show that all the rulings of IRS making reference to Table PS 58 had been revoked by the IRS as per its Notice 2001-10 published on January 29, 2001 and that Table PS 58 is No longer a legal and valid means to perform any "valuing" as claimed by this invention/ applicant Nor does it allow any "tax reduction" as claimed in this application.

Also, the claimed invention does Not describe specific means or resources for the "causing" process recited in steps (a), (b) and (d) of three independent Claims 1, 6, & 11, and their dependent claims. For example, but not limited to, step (a) of Claim 1 recites "causing a transferor to obtain a debt of a transferee, thereby acquiring a note from said transferee;" without stating what means or

resources are being used for the action of "causing" the transfer, Nor does it describe how the amounts of "debt" and "note" are determined. The broadest interpretation of this recited step is: (i) that the action of "causing" the transfer is being performed in a vacuum without any basis for determining the amount of debt or note, and (ii) that it is performed by any procedure deemed suitable by any person; and this analysis also applies to rejection of independent Claims 6 & 11. Similar comments also apply to the other "causing" process steps (b) and (d) for the rejection of three independent Claims 1, 6, & 11, and how to determine the face amount of "an insurance policy" to be purchased by the transferee. The Examiner also notes that the last "causing" recited in Claim 1, step (d), wherein the "said period" has been defined as "sufficiently large" is Not an actual "specific" time period and similarly, the phrase "sufficient economic benefit" is Not actually "specific" and thus, such ambiguous language makes this independent claim and its dependent claims Not "useful, concrete and tangible"; and how a determination is made of the amounts/values of the terms "sufficiently large" period and "sufficient economic benefit" in this step (d). Similar analysis applies to the rejection of independent Claims 6, 11 & 12, and their dependent claims.

Further, the "valuing" of step (c) in Claim 1 (and independent Claims 6,11, & 12) and their dependent claims are vague and indefinite when they recite the use of "IRS Table PS 58" (in Claims 2, 7, &13) ---use of which had been revoked about a year before in January 2001--- and this table is subject to change every year due to revisions for "valuing" based on mortality tables; thus, the claimed

"new invention" does Not produce consistently repeatable or concrete result(s). Also, as part of "valuing" the "economic benefit" ---as defined by the Applicant in the Specification, in paragraphs [0023] and [0028]--- is according to IRS Table PS58, in all the five (5) instances listed in this Specification. But, as stated above, the use of Table PS 58 for "valuing" was revoked by the IRS, US Department of Treasury in January 2001.

Claim Rejections - 35 USC § 112

The following is a quotation of the second paragraph of 35 U.S.C. 112:

The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.

Claims 1, 3, 4, 6 and 11 are rejected under 35 U.S.C. 112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards as the invention.

Independent Claims 1, 6 and 11 recite the limitation "said policy" in line 4 of Claim 1, step (b); in line 5 of Claim 6, step (b); and in line 5 of Claim 11, step (b). There is insufficient antecedent basis for this limitation in the claim. The Examiner notes that a better, and correct, way would be to recite it as "said insurance policy" as has been already done in Claims 3 and 8.

Dependent Claims 3 and 4 recite the limitation "said loan" in line 2 of Claim 3 and line 2 of Claim 4. There is insufficient antecedent basis for this limitation in the claim.

Conclusion

Any inquiry concerning this communication or earlier communications from the examiner should be directed to Sanjeev Malhotra whose telephone number is 571-272-7292. The examiner can normally be reached on Flexible schedule.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, James A. Kramer can be reached on 571-272-6783. The fax phone number for the organization where this application or proceeding is assigned is 571-273-8300.

Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see http://pair-direct.uspto.gov. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free). If you would like assistance from a USPTO Customer Service Representative or access to the automated information system, call 800-786-9199 (IN USA OR CANADA) or 571-272-1000.

SM

JAGDISH N. PATEL
PRIMARY EXAMINER

Form PTO/SB/08A (Modified)

INFORMATION DISCLOSURE STATEMENT BY APPLICANT (use as many sheets as necessary)	Complete if known	
	Application Number	10/043,984
	Filing Date	January 9, 2002
	First Named Inventor	Michael D. Brown et al.
	Group Art Unit	2161
	Examiner Name	Unknown
Sheet 1 of 2	Attorney Docket Number	157450-0011

U.S. PATENT DOCUMENTS

Examiner Initials	Cite No.	U.S. Patent Document Number	Kind Code	Name of Patentee or Applicant of Cited Document	Date of Publication of Cited Document MM-DD-YYYY	Pages, Columns, Lines, Where Relevant Passages or Relevant Figures Appear
SM	1.	6,304,859		Ryan et al.	10-16-2001	
SM	2.	6,161,096		Bell	12-12-2000	
SM	3.	6,064,969		Haskins	05-16-2000	
SM	4.	6,018,714		Risen, Jr. et al.	01-25-2000	
SM	5.	5,999,917		Facciani et al.	12-07-1999	
SM	6.	5,966,693		Burgess	10-12-1999	
SM	7.	5,933,815		Golden	08-03-1999	
SM	8.	5,907,828		Meyer et al.	05-25-1999	
SM	9.	5,839,118		Ryan et al.	11-17-1998	
SM	10.	5,819,230		Christie et al.	10-06-1998	
SM	11.	5,761,441		Bennett	06-02-1998	
SM	12.	5,752,236		Sexton et al.	05-12-1998	
SM	13.	5,631,828		Hagan	05-20-1997	
SM	14.	5,479,344		Keziah, Jr.	12-26-1995	
SM	15.	5,429,506		Brophy et al.	07-04-1995	
SM	16.	5,233,514		Ayyoubi et al.	08-03-1993	
SM	17.	5,231,571		D'Agostino	07-27-1993	
SM	18.	5,214,579		Wolfberg et al.	05-25-1993	
SM	19.	5,191,522		Bosco et al.	03-02-1993	
SM	20.	4,648,037		Valentino	03-03-1987	
SM	21.	3,634,669		Soumas et al.	01-11-1972	

OTHER DISCLOSURES – NON PATENT LITERATURE DOCUMENTS

Examiner Initials	Cite No.	Include name of the author (in CAPITAL LETTERS), title of the article (when appropriate), title of the item (book, magazine, journal, serial, symposium, catalog, etc.), date, page(s), volume-issue number(s), publisher, city and/or country where published.
SM	22.	Douglas R. ANDREW, "The Ultimate Arbitrage," Stratos, February 2002.
SM	23.	Deborah L. JACOBS, "Divide and Conquer," Bloomberg Wealth Manager, July/August 2000 (http://wealth.bloomberg.com/wealth/wealth1/articles/plan1_00089.html).
SM	24.	Internal Revenue Service, "Split-Dollar Life Insurance Arrangements," I.R.S. Notice 2002-8, 2002-4 I.R.B. 398 (January 28, 2002).

Examiner: /Sanjeev Malhotra/ Date Considered: 03/02/2007

Examiner: Initial if reference considered, whether or not citation is in conformance with MPEP 609. Draw line through citation if not in conformance and not considered. Include copy of this form with next communication to applicant.

585206

Form PTO/SB/08A (Modified)

INFORMATION DISCLOSURE STATEMENT BY APPLICANT (use as many sheets as necessary)	**Complete if known**	
	Application Number	10/043,984
	Filing Date	January 9, 2002
	First Named Inventor	Michael D. Brown et al.
	Group Art Unit	2161
	Examiner Name	Unknown
Sheet 2 of 2	Attorney Docket Number	157450-0011

OIPE JC42 NOV 22 2002 PATENT & TRADEMARK OFFICE

OTHER DISCLOSURES – NON PATENT LITERATURE DOCUMENTS

Examiner Initials	Cite No.	Include name of the author (in CAPITAL LETTERS), title of the article (when appropriate), title of the item (book, magazine, journal, serial, symposium, catalog, etc.), date, page(s), volume-issue number(s), publisher, city and/or country where published.
SM	25.	Internal Revenue Service, Private Letter Ruling 96-36-033 (March 12, 1996).
SM	26.	Internal Revenue Service, Private Letter Ruling 97-45-019 (August 8, 1997).

RECE[illegible]
NOV 25 2002
GROUP [illegible]

Examiner: /Sanjeev Malhotra/ Date Considered: 03/02/2007

Examiner: Initial if reference considered, whether or not citation is in conformance with MPEP 609. Draw line through citation if not in conformance and not considered. Include copy of this form with next communication to applicant.

585206

Notice of References Cited	Application/Control No. 10/043,984	Applicant(s)/Patent Under Reexamination BROWN ET AL.	
	Examiner Sanjeev Malhotra	Art Unit 3693	Page 1 of 2

U.S. PATENT DOCUMENTS

*		Document Number Country Code-Number-Kind Code	Date MM-YYYY	Name	Classification
	A	US-			
	B	US-			
	C	US-			
	D	US-			
	E	US-			
	F	US-			
	G	US-			
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	M	US-			

FOREIGN PATENT DOCUMENTS

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	N					
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	R					
	S					
	T					

NON-PATENT DOCUMENTS

*		Include as applicable: Author, Title Date, Publisher, Edition or Volume, Pertinent Pages)
	U	From IRS Website, Internal Revenue bulletin, Bulletiin No. 2001-5 of Janaury 29, 2001; □□ Front Page citing Notice 2001-10 and Pages 459-464 giving details of Notice 2001-10.
	V	From IRS website, Revenue Rulings Archive - 1955; □□ showing that Rev. Rul. 55-747 is Missing on 2nd page.
	W	From IRS Website, Revenue Rulings Archive - 1964; □□ showing that Rev. Rul. 64-328 is Missing on 2nd page.
	X	From IRS Website, Revenue Rulings Archive - 1966; □□ shwoing that Rev. Rul. 66-110 is Missing on 2nd page.

*A copy of this reference is not being furnished with this Office action. (See MPEP § 707.05(a).)
Dates in MM-YYYY format are publication dates. Classifications may be US or foreign.

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FOREIGN PATENT DOCUMENTS

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NON-PATENT DOCUMENTS

*		Include as applicable: Author, Title Date, Publisher, Edition or Volume, Pertinent Pages)
	U	From IRS Website, Revenue Rulings Archive - 1967; □□ showing that Rev. Rul. 67-154 is Missing on 2nd page.
	V	From IRS Website, Revenue Rulings Archive - 1978; □□ showing that Rev. Rul. 78-420 is Missing on 5th page.
	W	From IRS Website, Revenue Rulings Archive - 1979; □ showing that Rev. Rul. 79-50 is Missing on 1st page.
	X	

*A copy of this reference is not being furnished with this Office action. (See MPEP § 707.05(a).)
Dates in MM-YYYY format are publication dates. Classifications may be US or foreign.

Internal Revenue
bulletin

Bulletin No. 2001-5
January 29, 2001

HIGHLIGHTS OF THIS ISSUE

These synopses are intended only as aids to the reader in identifying the subject matter covered. They may not be relied upon as authoritative interpretations.

INCOME TAX

T.D. 8930, page 433.

Final regulations under section 41 of the Code relate to the computation of the credit for increasing research activities and the definition of qualified research. These regulations provide guidance concerning the requirements to qualify for the credit and rules for electing and revoking the election of the alternative incremental credit.

Rev. Rul. 2001-5, page 451.

LIFO; price indexes; department stores. The November 2000 Bureau of Labor Statistics price indexes are accepted for use by department stores employing the retail inventory and last-in, first-out inventory methods for valuing inventories for tax years ended on, or with reference to, November 30, 2000.

REG-106542-98, page 473.

Proposed regulations relate to an election under section 645 of the Code to have certain revocable trusts treated and taxed as part of an estate. A public hearing is scheduled for February 21, 2001.

Notice 2001-10, page 459.

Split-dollar insurance arrangements. This notice clarifies prior rulings issued by the IRS regarding the taxation of split-dollar arrangements, provides taxpayers with interim guidance on the tax treatment of split-dollar arrangements pending publication of further guidance, and requests taxpayer comments on the interim guidance and a number of unresolved issues. Rev. Rul 55-747 revoked. Rev. Ruls. 64-328 and 66-110 modified.

Notice 2001-11, page 464.

This notice provides additional guidance to financial institutions located in U.S. possessions in relation to the section 1441 nonresident alien withholding regulations that were published as T.D. 8734 (1997-2 C.B. 109) and T.D. 8881 (2000-23 I.R.B. 1158). Those regulations will apply to certain payments of income to foreign persons after December 31, 2000.

EXEMPT ORGANIZATIONS

Rev. Proc. 2001-15, page 465.

This procedure provides a modified and supplemented list of Indian tribal governments that are to be treated similarly to states for specified purposes under the Internal Revenue Code. Rev. Procs. 83-87 and 92-19 superseded.

ESTATE TAX

T.D. 8912, page 452.

Final regulations under section 2601 of the Code relate to the retention of a trust's exempt status for generation-skipping transfer tax purposes in the case of modifications, etc., to a trust.

Actions Relating to Court Decisions is on the page following the Introduction.
Finding Lists begin on page ii.
Announcements of Disbarments and Suspensions begin on page 482.

Department of the Treasury
Internal Revenue Service

Part III. Administrative, Procedural, and Miscellaneous

Split-Dollar Life Insurance Arrangements

Notice 2001–10

I. PURPOSE

The Treasury Department and Internal Revenue Service (IRS) are reviewing the Federal income tax treatment of so-called "split-dollar" arrangements for the purchase of life insurance contracts. This notice clarifies prior rulings issued by the IRS regarding the taxation of split-dollar arrangements, provides taxpayers with interim guidance on the tax treatment of split-dollar arrangements pending publication of further guidance, and requests taxpayer comments on the interim guidance and a number of unresolved issues.

This notice primarily addresses split-dollar arrangements between employers and employees. However, Treasury and the IRS believe the same principles generally govern the Federal tax treatment of split-dollar arrangements in other contexts, including arrangements that provide compensation to non-employees and economic benefits to corporate shareholders and arrangements involving gifts.

II. BACKGROUND

Rev. Rul. 64–328, 1964–2 C.B. 11, and Rev. Rul. 66–110, 1966–1 C.B. 12, addressed the Federal income tax treatment of split-dollar arrangements under which an employer and employee join in the purchase of a life insurance contract on the life of the employee subject to a contractual allocation of policy benefits between the employer and employee. The rulings described two contractual forms: (1) the endorsement method, under which the employer is formally designated as the owner of the contract, and the employer endorses the contract to specify the portion of the proceeds payable to the employee's beneficiary; and (2) the collateral assignment method, under which the employee is formally designated as the owner of the contract, the employer's premium payments are characterized as loans from the employer to the employee, and the employer's interest in the proceeds of the contract is designated as collateral security for its loans.

These rulings conclude that all economic benefits conferred on an employee under such an arrangement, excluding economic benefits attributable to the employee's own premium payments, constitute gross income to the employee. *See also Commissioner v. LoBue*, 351 U.S. 243 (1956); *Commissioner v. Smith*, 324 U.S. 177 (1945). Under the rationale of these rulings, the determination of an employee's gross income is unaffected by whether the endorsement method or the collateral assignment method is used.

Under the specific split-dollar arrangement addressed in Rev. Rul. 64–328, all amounts credited to the cash surrender value of the life insurance contract inured to the benefit of the employer. Thus, the only economic benefit inuring to the employee was the value of the insurance protection attributable to the portion of the contract's death benefit payable to the employee's beneficiary. Rev. Rul. 64–328 holds that, in such a case, the employee's gross income in any year includes the value of the life insurance protection provided to the employee in that year, less any amount actually paid by the employee.

Rev. Rul. 66–110 amplified Rev. Rul. 64–328 by holding that the value of any economic benefits in addition to current insurance protection that are provided to an employee under a split-dollar arrangement are also includible in the employee's gross income. More specifically, Rev. Rul. 66–110 held that an employee has additional gross income equal to the amount of any policyholder dividends distributed to the employee or applied to provide additional insurance for the exclusive benefit of the employee. Thus, where the employer has no interest in the dividend applied to provide paid-up additional insurance, the taxable economic benefit is the dividend itself, not the value of the insurance protection resulting from the dividend.

Rev. Rul. 64–328 and Rev. Rul. 66–110 each addressed a situation in which the employer possessed all beneficial interest in the cash surrender value of the life insurance contract (exclusive of any separate cash surrender value of paid-up additions attributable to dividends[1]), and the employee was entitled only to certain other economic benefits generated by the employer's investment in the contract, specifically, current insurance protection or dividends. Consistent with that, Rev. Rul. 64–328 revoked Rev. Rul. 55–713, 1955–2 C.B. 23, which had treated a split-dollar arrangement similar to that addressed in Rev. Rul. 64–328 as a secured loan from the employer to the employee. In rejecting the loan characterization, Rev. Rul. 64–328 stated that the substance of the split-dollar arrangement differed from that of a loan because the employee was not expected to make repayment except out of the cash surrender value or proceeds of the life insurance contract. *But see Commissioner v. Tufts*, 461 U.S. 300, 307 (1983)("we read *[Crane v. Commissioner*, 331 U.S. 1 (1947)] to have approved the Commissioner's decision to treat a nonrecourse loan in this context as a true loan.").

Rev. Rul. 64–328 held ~~that the table of one-year premium rates set forth in Rev. Rul. 55–747, 1955–2 C.B. 228, commonly referred to as the "P.S. 58" rates, may be used to determine the value of the current life insurance protection provided to an employee under a split-dollar arrangement. Rev. Rul. 66–110 amplified Rev. Rul. 64–328 in~~ this respect by holding that the insurer's published premium rates for one-year term insurance may be used to measure the value of the current insurance protection if those rates are lower than the P.S. 58 rates and available to all standard risks. ~~Rev. Rul. 67–154, 1967–1 C.B. 11, modified Rev. Rul. 66–110~~ by holding that an insurer's published term rates must be available for initial issue insurance (as distinguished from rates for dividend options) in order to be substituted for the P.S. 58 rates set forth in Rev. Rul. 55–747.

Similarly, the IRS has ruled that the economic benefit inuring to a third-party donee under an employer-employee split-dollar arrangement or to a shareholder under a corporation-shareholder split-dol-

1 Under the type of life insurance contract involved in Rev. Rul. 66-110, the cash surrender value of paid-up additions purchased with dividends was separate and distinct from the cash surrender value of the life insurance contract under which the dividends were paid.

lar arrangement is to be determined under the principles and valuation methods set forth in Rev. Rul. 64–328, as amplified by Rev. Rul. 66–110. *See* [redacted] 1978–2 C.B. 67; [redacted]1979–1 C.B. 138. Also, the same premium rate alternatives may be relied upon to measure the value of current life insurance protection provided to an employee under a qualified retirement plan. *See* Rev. Rul. 55–747, *supra*.

III. NEED FOR UPDATED GUIDANCE

A. Equity Split-Dollar

None of the published rulings relating to split-dollar life insurance has directly addressed the forms of equity split-dollar arrangements that have been widely used in recent years. In contrast with the split-dollar arrangements described in Rev. Rul. 64–328 and Rev. Rul. 66–110, an employee's economic interest in a life insurance contract purchased under an equity split-dollar arrangement includes an agreed upon portion of the cash surrender value. Under the most common form of equity split-dollar arrangement, the employer's interest in the cash surrender value of the contract is limited to the aggregate amount of its premium payments, exclusive of any earnings component. In such cases, the employee derives the entire economic benefit of any positive return on the employer's investment in the life insurance contract.

Under such an equity split-dollar arrangement, the employee derives a valuable economic benefit from the employer's premium payments beyond the current life insurance protection addressed in Rev. Rul. 64–328. As held in Rev. Rul. 66–110, an employee who receives economic benefits beyond the value of current life insurance protection is taxable on the value of those additional benefits. Therefore, under the general principles followed in Rev. Rul. 64–328 and Rev. Rul. 66–110, it is necessary to account for the employee's rights in the cash surrender value under an equity split-dollar arrangement in a manner consistent with the substance of the parties' contractual positions.

Under section 83, which was enacted in 1969 and generally governs the income tax treatment of property transferred in connection with the performance of services, a life insurance contract is considered to be property to the extent of its cash surrender value. *See* § 1.83–3(e) of the Income Tax Regulations. Therefore, if the substance of an equity split-dollar arrangement involves the transfer of a beneficial interest in the cash surrender value of a life insurance contract from an employer to an employee, that economic benefit is properly includible in the employee's gross income under section 83. For purposes of section 83, a split-dollar arrangement could, depending on the facts, involve a series of property transfers or a single transfer of property.[2]

However, whether an equity split-dollar arrangement involves a transfer of property within the meaning of section 83 depends on the substance of the arrangement. *See* § 1.83–3(a) of the regulations. If the employee is the beneficial owner of the life insurance contract from the inception of the arrangement, there is no transfer of property under section 83. For example, assuming there is a reasonable and *bona fide* expectation that the employer will receive repayment of its share of the premiums at a fixed or determinable future date, then the arrangement may in certain circumstances be properly treated as an acquisition of a life insurance contract by the employee with the proceeds of a loan or series of loans from the employer to the employee secured by the life insurance contract, rather than as an arrangement whereby the employer acquires ownership of the life insurance contract and provides economic benefits to the employee thereunder.

Section 7872 of the Code, which was enacted in 1984, sets forth rules for determining the tax treatment of certain direct and indirect below-market loans. In general, section 7872 recharacterizes a below-market loan (a loan in which the interest rate charged is less than the applicable Federal rate, or "AFR") as an arm's-length transaction in which the lender makes a loan to the borrower at the AFR, coupled with a payment or payments to the borrower sufficient to fund all or part of the interest that the borrower is treated as paying on that loan. The amount, timing, and characterization of the imputed payments to the borrower under a below-market loan depend on the relationship between the borrower and the lender and whether the loan is characterized as a demand loan or a term loan. In the case of a compensation-related below-market loan within the meaning of section 7872(c)(1)(B), the imputed payments to the borrower are treated as compensation income.

The legislative history of section 7872 states that the term "loan" is to be interpreted broadly for purposes of section 7872, potentially encompassing "any transfer of money that provides the transferor with a right to repayment." H.R. Rep. 98–861, 98th Cong., 2d Sess. 1018 (1984). Treasury and the IRS believe that Congress generally intended that section 7872 would govern the determination of compensation income resulting from an arrangement the substance of which is a loan from an employer to an employee, and that there was no congressional intent to make section 7872 inapplicable to split-dollar arrangements if such arrangements are, in substance, loans.

B. Value of Current Life Insurance Protection

The P.S. 58 rates set forth in Rev. Rul. 55–747, which are based on mortality tables originally published in 1946, no longer bear an appropriate relationship to the fair market value of current life insurance protection. Since the published split-dollar rulings merely state that the P.S. 58 rates "may" be used to value the economic benefit that an employee receives in the form of current life insurance protection and allow that economic benefit to instead be valued using the insurer's lower published one-year term rates, the P.S. 58 rates have come to function more as an upper limit on the valuation of current life insurance protection for Federal income tax purposes than as the presumptive measure of the fair market value of that economic benefit. Nonetheless, because the P.S. 58 rates represent the only valuation standard sanctioned by existing published guidance other than the insurer's published term rates, some taxpayers (and plan administrators in the case of life insurance held for participants in qualified

[2] For income or gift tax purposes outside of the compensation context, transfers of beneficial interests in the cash surrender value of life insurance contracts may similarly be treated as transfers of property interests in accordance with general tax principles.

plans) continue to use the P.S. 58 rates to value current life insurance protection and thereby report more gross income than is warranted under current conditions.

Treasury and the IRS are also concerned that the P.S. 58 rates have been used to understate the economic benefits provided to employees and other taxpayers under certain split-dollar arrangements. In particular, some taxpayers have used the P.S. 58 rates to determine the employer's share of the premiums under so-called "reverse" split-dollar arrangements, where the employer's interest in the life insurance contract is limited to a specified portion of the death benefit. The use of P.S. 58 rates in this manner significantly overstates the value of the policy benefits allocated to the employer, such that the employee's share of the premiums is significantly lower than the employee's actual share of the policy benefits. No published guidance has authorized reliance on the P.S. 58 rates for this purpose.

In addition, Treasury and the IRS question whether insurers' published term rates provide an appropriate alternative measure of the fair market value of current life insurance protection. Treasury and the IRS understand that, in some instances, the published premium rates used for this purpose may not be realistically available to all standard risks who apply for term insurance, as required by Rev. Rul. 66–110 and the other published authorities that have sanctioned that alternative valuation standard. Moreover, taxpayers and the IRS ordinarily have no practical means to confirm that the same premium rates are available to all standard risks who apply for one-year term insurance from the same life insurance company. It is also questionable whether the life insurance protection provided to a particular insured should be valued differently for Federal tax purposes from that provided to a similarly situated insured solely because of differences in the published premium rates of their respective insurers.

There are a number of variables other than age that affect the cost and value of current life insurance protection, including assumed mortality rates, the sex and health of the insured, and the extent of sales and other expense charges included or assumed to be included in premiums. However, valuation standards that allow some or all of such variables to be taken into account on an individual basis may not be administrable or provide taxpayers with sufficient certainty. Therefore, to ease administrative burdens, minimize disputes, and provide greater assurance that similarly situated taxpayers are treated the same, Treasury and the IRS believe it may be preferable, at least as a general rule, for the value of current life insurance protection provided under split-dollar arrangements and qualified retirement plans to be determined under one or more premium rate tables prescribed for those purposes.

IV. INTERIM GUIDANCE

A. Characterization of Split-Dollar Arrangements

In light of the rationale set forth in Rev. Rul. 64–328 and the fact that no published guidance has addressed the potential applicability of section 7872 to split-dollar arrangements, Treasury and the IRS recognize that taxpayers have not generally treated employer payments under equity split-dollar arrangements as loans, and that the below-market loan rules of section 7872 have not generally been applied to impute compensation income to employees from such arrangements. It is also recognized that, without further guidance, it may be difficult for taxpayers to determine whether an employer's payments under a split-dollar arrangement are properly characterized as loans for Federal tax purposes or whether the employer should instead be treated as having acquired a beneficial ownership interest in the life insurance contract through its premium payments and having provided economic benefits to the employee thereunder. Accordingly, pending consideration of public comments and the publication of further guidance, the characterization and income tax treatment of equity and other split-dollar arrangements will generally be determined under the following guidelines:

1. The IRS will generally accept the parties' characterization of the employer's payments under a split-dollar arrangement, provided that (i) such characterization is not clearly inconsistent with the substance of the arrangement, (ii) such characterization has been consistently followed by the parties from the inception of the arrangement, and (iii) the parties fully account for all economic benefits conferred on the employee in a manner consistent with that characterization.

2. The IRS will permit an employer's payments under a split-dollar arrangement to be characterized as loans for tax purposes, provided that all of the conditions set forth in paragraph 1 are satisfied. In such cases, the tax consequences of the payments treated as loans will be determined under section 7872, the employee will not have additional compensation income for the value of the insurance protection provided under the life insurance contract, and the cash surrender value of the contract will not represent property that has been transferred to the employee for purposes of section 83. However, the employee ordinarily would have additional gross income if the employer's advances were not repaid in accordance with the terms of the arrangement. Moreover, the employee could have gross income under section 72 for distributions actually received under the life insurance contract.

3. In any case in which an employer's payments under a split-dollar arrangement have not been consistently treated as loans in accordance with paragraph 1, the parties will be treated as having adopted a non-loan characterization of the arrangement, and the parties must fully account for all of the economic benefits that the employee derives from the arrangement in a manner consistent with that characterization and with Rev. Rul. 64–328, Rev. Rul. 66–110, and the general tax principles upon which those rulings are based. In general, this means that (i) the employer will be treated as having acquired beneficial ownership of the life insurance contract through its share of the premium payments, (ii) the employee will have compensation income under section 61 equal to the value of the life insurance protection provided to the employee each year that the arrangement remains in effect, reduced by any payments made by the employee for such life insurance protection, (iii) the employee will have compensation income under section 61 equal to any dividends or similar distributions made to the employee under the life insurance contract (including any dividends described in Rev. Rul. 66–110 applied to provide additional policy benefits), and

(iv) the employee will have compensation income under section 83(a) to the extent that the employee acquires a substantially vested interest in the cash surrender value of the life insurance contract, reduced under section 83(a)(2) by any consideration paid by the employee for such interest in the cash surrender value.

4. Pending the publication of further guidance, the IRS will not treat an employer as having made a transfer of a portion of the cash surrender value of a life insurance contract to an employee for purposes of section 83 solely because the interest or other earnings credited to the cash surrender value of the contract cause the cash surrender value to exceed the portion thereof payable to the employer on termination of the split-dollar arrangement. If future guidance provides that such earnings increments are to be treated as transfers of property for purposes of section 83, it will apply prospectively.

5. In any case in which the employer's payments under a split-dollar arrangement have not been consistently treated as loans, then for so long as the arrangement remains in effect, the IRS will treat the employee as continuing to have gross income under section 61 for any current life insurance protection provided to the employee under the arrangement, except to the extent allocable to premium payments made by the employee (or included in the employee's gross income under paragraph 6) or to any portion of the cash surrender value of the contract that has been treated as a substantially vested transfer of property to the employee under section 83. When such an allocation is required, the IRS will accept a *pro rata* or other reasonable method for determining that portion of the death benefit allocable to cash surrender value beneficially owned by the employer and that portion allocable to cash surrender value transferred to or purchased by the employee.

6. If an employer makes a premium or other payment for the benefit of an employee under a split-dollar arrangement, and the employer neither acquires a beneficial ownership interest in the life insurance contract through such payment nor has a reasonable expectation of receiving repayment of that amount through policy proceeds or otherwise, such payment will be treated as compensation income to the employee under section 61. *See* Reg. § 1.61–2(d)(2)(ii)(*a*); *Frost v. Commissioner*, 52 T.C. 89 (1969).

In sum, therefore, any payment made by an employer under a split-dollar arrangement must be accounted for as a loan (see paragraph 2), as an investment in the contract for the employer's own account (see paragraph 3), or as a payment of compensation (see paragraph 6).

B. Revised Standards for Valuing Current Life Insurance Protection

Pending the consideration of comments and publication of further guidance, the following interim guidance is provided on the valuation of current life insurance protection:

1. Rev. Rul. 55–747 is hereby revoked, and the IRS will no longer treat or accept the P.S. 58 rates set forth therein as a proper measure of the value of current life insurance protection for Federal tax purposes. Nonetheless, for taxable years ending on or before December 31, 2001, taxpayers may continue to use the P.S. 58 rates set forth in Rev. Rul. 55–747 for purposes of determining the value of current life insurance protection provided to an employee under a split-dollar arrangement or a qualified retirement plan.

2. Taxpayers may use the premium rate table set forth at the end of this notice, captioned as Table 2001, to determine the value of current life insurance protection on a single life provided under a split-dollar arrangement or qualified retirement plan for taxable years ending after the date of issuance of this notice. Table 2001 is based on the mortality experience reflected in the table of uniform premiums promulgated under section 79(c) of the Code (*see* § 1.79–3(d)(2) of the regulations), with extensions for ages below 25 and above 70, and the elimination of the five-year age brackets.[3] With the revocation of Rev. Rul. 55–747, the rates set forth in Table 2001 are provided as an interim substitute for the P.S. 58 rates that taxpayers may rely upon pending further consideration of how the value of current life insurance protection should be determined for these Federal tax purposes in the future. The premium rates set forth in Table 2001 are materially lower than the P.S. 58 rates at all ages.

3. Taxpayers may continue to determine the value of current life insurance protection by using the insurer's lower published premium rates that are available to all standard risks for initial issue one-year term insurance as set forth in Rev. Rul. 66–110, subject to the following additional limitations. First, for periods after December 31, 2003, the IRS will not consider an insurer's published premium rates to be available to all standard risks who apply for term insurance unless (i) the insurer generally makes the availability of such rates known to persons who apply for term insurance coverage from the insurer, (ii) the insurer regularly sells term insurance at such rates to individuals who apply for term insurance coverage through the insurer's normal distribution channels, and (iii) the insurer does not more commonly sell term insurance at higher premium rates to individuals that the insurer classifies as standard risks under the definition of standard risk most commonly used by that insurer for the issuance of term insurance. Second, with respect to a life insurance contract (or individual certificate) issued after February 28, 2001, no assurance is provided that such published premium rates may be used to determine the value of life insurance protection for periods after the later of December 31, 2003, or December 31 of the year in which further guidance relating to the valuation of current life insurance protection is published.

3 The table is limited to insureds below age 100.

V. EFFECT ON OTHER DOCUMENTS

Rev. Rul. 55–747 is revoked. Rev. Rul. 64–328 and Rev. Rul. 66–110 are modified to the extent that those rulings indicate that an employer's premium payments under a split-dollar arrangement should not be treated as loans where an employee is not expected to make repayment except out of the cash surrender value or proceeds of the life insurance contract.

VI. REQUEST FOR COMMENTS

Comments are requested on the issues discussed in this notice and on any other issues for which further guidance relating to the Federal tax treatment of split-dollar arrangements is needed. In particular, Treasury and the IRS request comments on (i) the circumstances in which employer payments under a split-dollar arrangement should be treated as loans; (ii) in cases where employer payments under a

split-dollar arrangement are not treated as loans, the circumstances in which interests in the cash surrender value of a life insurance contract should be treated as transfers of property to the employee for purposes of section 83, including whether earnings credited to the cash surrender value of a life insurance contract should be treated as transfers of property for purposes of section 83 when such earnings cause the cash surrender value to exceed the portion thereof payable to the employer (or other transferor); and (iii) whether additional guidance is needed on the treatment of split-dollar arrangements for Federal gift tax purposes.

Comments are also invited on the standards that should be used to value life insurance protection. Comments are specifically invited on (i) whether one or more premium rate tables should be prescribed as the exclusive basis for valuing current life insurance protection for Federal tax purposes; (ii) if one or more premium rate tables are prescribed for these purposes, what assumptions should be used in constructing such table or tables; (iii) if one or more premium rate tables are prescribed for these purposes, whether the value of life insurance protection for a given insured should take account of variables other than the age of the insured; (iv) whether one or more premium rate tables should be prescribed for purposes of determining the value of current life insurance protection under a second-to-die policy and, if so, what assumptions should be used in constructing such table or tables; (v) whether there are reasonable and workable means to incorporate premium rates actually charged by life insurance companies into the valuation standards used for Federal tax purposes; and (vi) whether there are reasonable and workable means to allow the value of life insurance protection for a given insured to be determined by reference to the cost structure of the life insurance contract covering that insured.

Written comments are requested to be submitted no later than April 30, 2001, to CC:FIP (Notice 2001–10), room 4300, Internal Revenue Service, POB 7604, Ben Franklin Station, Washington, DC 20044. Comments may be hand delivered between the hours of 8 a.m. and 5 p.m. to CC:FIP (Notice 2001–10), Courier's Desk, Internal Revenue Service, 1111 Constitution Avenue NW., Washington, DC. All comments will be available for public inspection and copying.

DRAFTING INFORMATION

The principal authors of this notice are David B. Silber of the Office of Associate Chief Counsel (Financial Institutions and Products) and Erin Madden of the Office of Associate Chief Counsel (Tax Exempt and Government Entities). For further information regarding this notice, contact Mr. Silber at (202) 622-3930 or Ms. Madden at (202) 622-6060 (Not toll-free calls).

TABLE 2001
INTERIM TABLE OF ONE-YEAR TERM PREMIUMS FOR $1,000 OF LIFE INSURANCE PROTECTION

Attained Age	Section 79 Extended and Interpolated Annual Rates	Attained Age	Section 79 Extended and Interpolated Annual Rates	Attained Age	Section 79 Extended and Interpolated Annual Rates
0	$0.70	35	$0.99	70	$20.62
1	$0.41	36	$1.01	71	$22.72
2	$0.27	37	$1.04	72	$25.07
3	$0.19	38	$1.06	73	$27.57
4	$0.13	39	$1.07	74	$30.18
5	$0.13	40	$1.10	75	$33.05
6	$0.14	41	$1.13	76	$36.33
7	$0.15	42	$1.20	77	$40.17
8	$0.16	43	$1.29	78	$44.33
9	$0.16	44	$1.40	79	$49.23
10	$0.16	45	$1.53	80	$54.56
11	$0.19	46	$1.67	81	$60.51
12	$0.24	47	$1.83	82	$66.74
13	$0.28	48	$1.98	83	$73.07
14	$0.33	49	$2.13	84	$80.35
15	$0.38	50	$2.30	85	$88.76
16	$0.52	51	$2.52	86	$99.16
17	$0.57	52	$2.81	87	$110.40
18	$0.59	53	$3.20	88	$121.85
19	$0.61	54	$3.65	89	$133.40
20	$0.62	55	$4.15	90	$144.30
21	$0.62	56	$4.68	91	$155.80
22	$0.64	57	$5.20	92	$168.75
23	$0.66	58	$5.66	93	$186.44

TABLE 2001—Continued
INTERIM TABLE OF ONE-YEAR TERM PREMIUMS FOR $1,000 OF LIFE INSURANCE PROTECTION

Attained Age	Section 79 Extended and Interpolated Annual Rates	Attained Age	Section 79 Extended and Interpolated Annual Rates	Attained Age	Section 79 Extended and Interpolated Annual Rates
24	$0.68	59	$6.06	94	$206.70
25	$0.71	60	$6.51	95	$228.35
26	$0.73	61	$7.11	96	$250.01
27	$0.76	62	$7.96	97	$265.09
28	$0.80	63	$9.08	98	$270.11
29	$0.83	64	$10.41	99	$281.05
30	$0.87	65	$11.90		
31	$0.90	66	$13.51		
32	$0.93	67	$15.20		
33	$0.96	68	$16.92		
34	$0.98	69	$18.70		

Withholding and Information Reporting on Payments to Financial Institutions in U.S. Possessions

Notice 2001-11

Corporations and partnerships that are organized under the laws of a possession of the United States are generally treated as foreign persons for purposes of section 1441 and the regulations thereunder (relating to the withholding of tax on payments to foreign persons). See section 881(b)(1) for exceptions to this general rule. Financial institutions organized under the laws of a U.S. possession ("possessions financial institutions") have noted that, to the extent they act as intermediaries (that is, as agents for others), the regulations under section 1441, as in effect on January 1, 2001 (the "new withholding regulations"), will require them to function as nonqualified intermediaries. Payments of U.S. source income made to nonqualified intermediaries are generally subject to 30-percent withholding (or 31-percent withholding in the case of deposit interest and certain payments on short-term obligations) unless the nonqualified intermediary provides documentation from, and other information relating to, customers on whose behalf the nonqualified intermediary acts that supports a reduced rate of withholding. See section 1.1441-1(b)(1) and 1.1441-1(e)(3)(iii) and (iv). Possessions financial institutions have commented that the requirement to provide a withholding agent with information relating to the possessions financial institution's customers should not apply to them because they are subject to all of the withholding and information reporting requirements that apply to U.S. withholding agents under Chapters 3 and 61 and section 3406 of the Internal Revenue Code and because they are subject to direct audit supervision by the Internal Revenue Service.

Treasury and IRS agree that, for the reasons described above, possessions financial institutions should not be required to act as nonqualified intermediaries under the new withholding regulations. Accordingly, until further notice, any possessions financial institution will be treated as a U.S. branch under section 1.1441-1(b)(2)(iv) of the new withholding regulations. As such, it may agree with a withholding agent from which it is receiving payments to be treated as a U.S. person. See section 1.1441-1(b)(2)(iv)(A) and (E). Under the general rule of section 1.1441-1(b)(1), payments of U.S. source income to a possessions financial institution that agrees to be treated as a U.S. person will be treated as made to a U.S. payee and therefore not subject to withholding under section 1441. The possessions financial institution shall be subject to all of the withholding and reporting obligations of a U.S. withholding agent under chapters 3 and 61 of the Code and section 3406. For purposes of this notice, the term financial institution has the same meaning as in section 1.1441-1(c)(5).

A possessions financial institution that agrees to be treated as a U.S. person must provide a withholding agent with a properly completed Form W-8IMY on which it evidences its agreement to be treated as a U.S. person. The possessions financial institution should not provide a Form W-9. See section 1.1441-1(b)(2)(iv). In addition, a withholding agent making a payment to a possessions financial institution that agrees to be treated as a U.S. person must report payments made to the institution on Form 1042-S. See section 1.1441-1(b)(2)(iv) and 1.1461-1(c)(4)(i)(C)(*1*).

Contact Information

The principal author of this Notice is Carl Cooper of the Office of the Associate Chief Counsel (International), Internal Revenue Service, 1111 Constitution Avenue, N.W., Washington, D.C. 20224. For further information regarding this Notice contact Mr. Cooper at 202-622-3840 (not a toll-free call).

Internal Revenue Service
United States Department of the Treasury

Revenue Rulings Archive - 1955

The freely available Adobe Acrobat Reader software is required to view, print, and search the guidance listed below.

Rev. Rul. 55-230, 1955-1 C.B. 71: An association organized to guard the purity of the breed of Welsh ponies, promote interest in it, and establish, maintain, and publish authoritative records qualifies for exemption as an agricultural organization under Code section 501(c)(5).

Rev. Rul. 55-231, 1955-1 C.B. 72: An organization whose primary purpose is to promote the circulation of books of one of its incorporators and who purchases such works and makes them available for public use is not organized and operated exclusively for educational or other purposes described in Code section 501(c)(3).

Rev. Rul. 55-268, 1955-1 C.B. 28: Contributions to a rehabilitation center to provide a building for use in treating handicapped individuals are contributions to a *hospital* within the meaning of Code section 170(b)(1)(A)(iii).

Rev. Rul. 55-311, 1955-1 C.B. 72: An association of employees that operates a bus for the convenience of its members does not qualify as a local association of employees under Code section 501(c)(4), nor any other subsection of section 501(c).

Rev. Rul. 55-319, 1955-1 C.B. 119: Circumstances under which a wholly-owned state instrumentality may qualify for exemption under Code section 501(c)(3),

Rev. Rul. 55-406, 1955-1 C.B. 73: An organization organized and operated to make payments to dependent widows and children of policemen or firemen who die in the line of duties qualifies for exemption as a charitable organization under Code section 501(c)(3).

Rev. Rul. 55-439, 1955-2 C.B. 257: An organization that gives aid and advice to low and moderate income individuals about finding and construction housing qualifies for exemption under Code section 501(c)(4).

Rev. Rul. 55-444, 1955-2 C.B. 258: An organization formed to promote the business of an industry, which furthers its purposes primarily by conducting a general advertising campaign to use the products and services of the industry as a whole, is exempt under Code section 501(c)(6), even though such advertising to a minor extent constitutes the performance of particular services for members.

Rev. Rul. 55-449, 1955-2 C.B. 599: A charitable foundation's construction and sale of 80 houses in18 months, to raise funds to support a church, are an unrelated trade or business; where this activity is the foundation's private activity, it is not exempt under the predecessor of Code section 501(c)(3).

Rev. Rul. 55-495, 1955-2 C.B. 259, *modified* Rev. Rul. 75-199: An organization that provides for the payment of benefits to members or their dependents, but does not operate under the lodge system or for the exclusive benefit of an organization so operating, is not exempt under Code section 501(c)(8), but is exempt under section 501(c)(4).

◀Rev▶. ◀Rul▶. 55-516, ◀1955-2▶ C.B. 260: A nonprofit corporation that operates a semiprofessional baseball club as its principal activity is not entitled to exemption under Code section 501(c)(4).

◀Rev▶. ◀Rul▶. 55-587, ◀1955-2▶ C.B. 261: Circumstances under which an interscholastic athletic association qualifies for exemption under Code section 501(c)(3).

◀Rev▶. ◀Rul▶. 55-610, ◀1955-2▶ C.B. 262: An organization formed to operate the activities which its principal founder conducted as his personal hobby in prior years, which will reimburse the founder for prior years' expenses, is not exempt under Code section 501(c)(3), because a portion of its earnings will inure to the founder's benefit.

◀Rev▶. ◀Rul▶. 55-656, ◀1955-2▶ C.B. 262: A community nursing bureau operated as a community project, which maintains a nonprofit register of qualified nursing personnel, qualifies for exemption under Code section 501(c)(3).

◀Rev▶. ◀Rul▶. 55-676, ◀1955-2▶ C.B. 266: A radio station and cinder block plant operated in a commercial manner by an exempt university are unrelated businesses, but a laundry operated by the university primarily for the benefit of its students, is within the exception of section 513(a)(2).

◀Rev▶. ◀Rul▶. 55-715, ◀1955-2▶ C.B. 263: An organization formed to regulate the sale at auction of a specified agricultural commodity in a certain area, to protect the interests of producers, warehousemen, and purchasers, qualifies for exemption as a board of trade under Code section 501(c)(6).

◀Rev▶. ◀Rul▶. 55-716, ◀1955-2 C.B. 263: An organization formed to furnish television antenna service to its members is not exempt under Code section 501(c)(7), nor any other provision of federal tax law.

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Internal Revenue Service
United States Department of the Treasury

Revenue Rulings Archive - 1964

The freely available Adobe Acrobat Reader software is required to view, print, and search the guidance listed below.

Rev▶. ◀Rul▶. 64-108, 1964-1 C.B. 189: An organization whose primary activity is operating a parking stamp plan, whereby patrons of its members are afforded automobile parking privileges while shopping at members' stores, is not exempt under section 501(c)(6) of the Internal Revenue Code.

◀Rev▶. ◀Rul▶. 64-109, 1964-1 C.B. 160: A section 501(c)(13) exempt cemetery company loses its exempt status by establishing and operating a mortuary.

◀Rev▶. ◀Rul▶. 64-118, 1964-1 C.B. 182: An organization is not exempt under Code section 501(c)(3) as an educational organization where its primary activity is renting a chapter house to a fraternity composed of students.

◀Rev▶. ◀Rul▶. 64-128, 1964-1 C.B. 191: An organization formed to associate scholars to conduct lectures and hold conferences is organized and operated for educational purposes and exempt under Code section 501(c)(3), but is not a *school*.

◀Rev▶. ◀Rul▶. 64-175, 1964-1 C.B. 185: A nonprofit corporation organized and operated exclusively to stimulate, promote, and develop public interest in the dramatic arts and which operates a permanent repertory theater is exempt under Code section 501(c)(3) as an educational organization, if it meets the other requirements of the statute.

◀Rev▶. ◀Rul▶. 64-182, 1964-1 C.B. 186: An organization meets the primary purpose test of Treas. Reg. § 1.501(c)(3)-1(e)(1), for exemption under Code section 501(c)(3), where it uses charitable contributions and grants to conduct a charitable grant-making program commensurate in scope with its financial resources.

◀Rev▶. ◀Rul▶. 64-187, 1964-1 C.B. 187: A nonprofit corporation organized to further the purposes of the Area Redevelopment Act, by providing funds through loans to purchase or develop land and facilities to alleviate unemployment in areas classified as *redevelopment areas* under the Act, is exempt from federal income tax under Code section 501(c)(4) as a civic league.

◀Rev▶. ◀Rul▶. 64-192, 1964-2 C.B. 136: A nonprofit organization organized to educate the public on the quality of radio and television programs through opinion polls, teaching evaluation guides, newsletters, and study kits to better their understanding and judgment of radio and television programs and thereby encourage stations to fulfill their obligations to serve the public interest, may qualify for exemption under Code section 501(c)(3).

◀Rev▶. ◀Rul▶. 64-193, 1964-2 C.B. 151: A life insurance company that operates under a state permit allowing it to do business in counties within 75 miles of its home office, an area including three large metropolitan trade centers, is not *of a purely local character* and the organization cannot qualify for exemption as a local life insurance company under Code section 501(c)(12).

◀Rev▶. ◀Rul▶. 64-194, 1964-2 C.B. 149: A fraternal beneficiary society operating under the

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lodge system qualifies for exemption under Code section 501(c)(8) even though it has a class of social members who are not eligible for benefits.

◀Rev▶. ◀Rul▶. 64-195, 1964-2 C.B. 138: The exempt status of a nonprofit educational organization under Code section 501(c)(3) is not affected by its nonpartisan study, research, and assembly of materials in connection with court reform and the dissemination of these materials to the public.

◀Rev▶. ◀Rul▶. 64-217, 1964-2 C.B. 153: A perpetual care fund, the income of which is turned over to a profit-making cemetery company for use in maintaining the cemetery properties and burial lots, is not exempt under Code section 501(c)(13).

◀Rev▶. ◀Rul▶. 64-231, 1964-2 C.B. 139: An entrance fee required to obtain services and residence in a home for the aged, must be included with the required lump sum life-care payment to the home in determining whether the home renders services to all or a reasonable proportion of its residents at substantially less than its cost, to the extent of its financial ability, for purposes of qualifying as an exempt charitable organization under Code section 501(c)(3).

◀Rev▶. ◀Rul▶. 64-274, 1964-2 C.B. 141: A nonprofit corporation that provides worthy and needy students with free housing and funds to purchase books and instructional supplies and equipment on a gift or interest-free loan is exempt as an organization described in Code section 501(c)(3).

◀Rev▶. ◀Rul▶. 64-275, 1964-2 C.B. 142: An organization formed to improve the caliber of candidates representing the United States in international competitions by training athletes, is exempt as an educational organization under Code section 501(c)(3).

◀Rev▶. ◀Rul▶. 64-313, 1964-2 C.B. 146: A memorial association organized to (1) study and develop methods of achieving simplicity and dignity in funeral and memorial services, (2) educate and inform members and the public about the results of this study, and (3) maintain a registry for ht wishes of members in regards to arrangements following death, is exempt as a social welfare organization under Code section 501(c)(4).

◀Rev▶. ◀Rul. 64-315, 1964-2 C.B. 147: An association of merchants is not exempt under Code section 501(c)(6) where its members are the businesses within a shopping center and it expends its funds and engages exclusively in advertising member merchants in newspapers and on television and radio in order to attract customers to the shopping center.

Revenue Rulings Archive - 1966

The freely available Adobe Acrobat Reader software is required to view, print, and search the guidance listed below.

Rev▶. ◀Rul▶. 66-46, 1966-1 C.B. 133: A nonprofit organization formed to promote public appreciation of group harmony singing and to educate its members and the general public in this type of music is exempt under Code section 501(c)(3) of the Internal Revenue Code.

◀Rev▶. ◀Rul▶. 66-47, 1966-1 C.B. 149: A section 501(c)(3) organization is engaged in an unrelated trade or business as defined in Code section 513 when it regularly sells *call* options on securities held in its investment portfolio, and is subject to the unrelated business income tax under section 511.

◀Rev▶. ◀Rul▶. 66-59, 1966-1 C.B. 142: An organization of employees whose purpose is to pay lump sum retirement benefits to eligible members or death benefits to their survivors does not qualify for exemption as a local association of employees under Code section 501(c)(4).

◀Rev▶. ◀Rul▶. 66-100, 1966-1 C.B. 51: Rules that may be relied on in determining whether a contribution by an individual will be as a gift to a *publicly supported* organization for purposes of Code section 170.

◀Rev▶. ◀Rul▶. 66-102, 1966-1 C.B. 133: The term *expenses* as used in Code section 501(c)(2) includes a reasonable allowance for depreciation determined in accordance with section 167.

◀Rev▶. ◀Rul▶. 66-103, 1966-1 C.B. 134: A nonprofit organization providing awards and grants, including scholarships and fellowship grants, to needy individuals to enable them to continue their work in the creative arts, as well as to continue their education and studies, with no monetary benefit to the donor organization, is entitled to exemption under Code section 501(c)(3).

◀Rev▶. ◀Rul▶. 66-104, 1966-1 C.B. 135: A nonprofit organization that makes funds available to authors and editors for preparing teaching materials and writing textbooks, and, under the terms of the contract with the publisher, receives royalties from sales of the materials and then shares them with those individuals, does not qualify for as a charitable, educational, or literary organization under Code section 501(c)(3).

◀Rev▶. ◀Rul▶. 66-105, 1966-1 C.B. 145: An organization of agricultural producers whose principal activity is marketing livestock for its members does not qualify for exemption under Code section 501(c)(5).

◀Rev▶. ◀Rul▶. 66-106, 1966-1 C.B. 151: Amounts distributed by a real estate investment trust (within the meaning of Code section 856) to a exempt employees' pension trust are not unrelated business taxable income where the distributions were made out of the earnings and profits of the real estate investment trust and hence were dividends (and, therefore, not unrelated business taxable income under section 512(b)(1)).

◀Rev▶. ◀Rul▶. 66-107, 1966-1 C.B. 153: A mortgage or other similar lien on real property

acquired by a charitable organization in a liquidating distribution from a corporation is *business lease indebtedness* within the meaning of Code section 514(c).

◄Rev►. ◄Rul►. 66-146, 1966-1 C.B. 136: An organization organized and operated to further, encourage, and recognize outstanding achievements and contributions of citizens of a state toward the progress and betterment of human endeavor is exempt under Code section 501(c)(3).

◄Rev►. ◄Rul►. 66-147, 1966-1 C.B. 137: An organization qualifies for exemption under Code section 501(c)(3) if it is formed to survey scientific and medical literature published throughout the world and to prepare and distribute free of charge abstracts of such literature.

◄Rev►. ◄Rul►. 66-148, 1966-1 C.B. 143: A nonprofit organization formed to establish and maintain a system to store and distribute water, in order to increase underground water levels in a community, is exempt under Code section 501(c)(4).

◄Rev►. ◄Rul►. 66-149, 1966-1 C.B. 146: A social club is not exempt under Code section 501(c)(7) if it regularly derives a substantial part of its income from nonmember sources, such as investment income; a club's right to exemption is not affected, however, if for a relatively short period a substantial part of its income is derived from investing proceeds of the sale of its former clubhouse pending the acquisition of a new home for a club.

◄Rev►. ◄Rul►. 66-150, 1966-1 C.B. 147: An organization that holds title to a building housing its parent, which is exempt under Code section 501(c)(4), maintains the building, and operates social facilities in the building, does not qualify for exemption under Code section 501(c)(2) or 501(c)(4), but does qualify under Code section 501(c)(7).

◄Rev►. ◄Rul►. 66-151, 1966-1 C.B. 152: Managing health and welfare plans for a fee by a business league exempt under Code section 501(c)(6) is an unrelated business within the meaning of Code section 513.

◄Rev►. ◄Rul►. 66-178, 1966-1 C.B. 138: A nonprofit organization created to foster and develop the arts by sponsoring a public art exhibition at which works of unknown but promising artists are selected by a panel of qualified judges for viewing and are gratuitously displayed is exempt under Code section 501(c)(3).

◄Rev►. ◄Rul►. 66-179, 1966-1 C.B. 139: Depending on its form of organization and method of operation, an organization commonly referred to as a *garden club* may qualify for exemption as a charitable or educational organization described in Code section 501(c)(3), a civic organization described in section 501(c)(4), a horticultural organization described in section 501(c)(5), or a social club described in Code section 501(c)(7).

◄Rev►. ◄Rul►. 66-180, 1966-1 C.B. 144: Neither operating gasoline stations nor selling gasoline and oil to the employer company adversely affects the exemption under Code section 501(c)(4) of a local association of employees, because all the organization's income is used for recreational purposes, and income from sales to the employer of its members is considered a form of employer support of the association.

◄Rev►. ◄Rul►. 66-212, 1966-2 C.B. 230: An organization exempt under Code section 501(c)(9) may reimburse its members for premiums paid under the Medicare program.

◄Rev►. ◄Rul►. 66-219, 1966-2 C.B. 208: An organization that otherwise meets the requirements for exemption under Code section 501(c)(3) is not precluded from establishing exempt status merely because its creator (if a trust) is either the sole or controlling trustee or merely because the organization is controlled by one individual.

◄Rev►. ◄Rul►. 66-220, 1966-2 C.B. 209: A nonprofit corporation organized exclusively for educational purposes to operate a noncommercial educational broadcasting station presenting educational, cultural, and public interest programs is exempt under Code section 501(c)(3).

◄Rev►. ◄Rul►. 66-222, 1966-2 C.B. 223: The operation of an annual rabies clinic by an association of veterinarians will not preclude exemption under Code section 501(c)(6) where the members donate their services and supplies and reduced fees are charged to the public.

◄Rev►. ◄Rul►. 66-223, 1966-2 C.B. 224: The operation of a bid registry which is open to all individuals or firms in a particular trade or industry and which has been established and operated as a means of encouraging fair bidding practices within the industry is an appropriate activity for an association that otherwise meets the requirements for exemption under Code section 501(c)(6).

◄Rev►. ◄Rul►. 66-225, 1966-2 C.B. 227: A nonprofit organization that provides entertainment for its members does not qualify for exemption under Code section 501(c)(7) where it is controlled by a taxable corporation and operated as an integral part of that corporation's business.

◄Rev►. ◄Rul►. 66-245, 1966-2 C.B. 71: The special limitation provided in Code section 170 (b)(1)(A) does not apply to contributions made to a medical research organization that operates in conjunction with a hospital operated for profit.

◄Rev►. ◄Rul►. 66-255, 1966-2 C.B. 210: A nonprofit organization that through meetings, films, forums, and publications educates the public in a particular method of painless childbirth is entitled to exemption under Code section 501(c)(3).

◄Rev►. ◄Rul►. 66-256, 1966-2 C.B. 210: A nonprofit organization formed to conduct public forums at which lectures and debates on social, political, and international matters are presented qualifies for exemption under Code section 501(c)(3), even though some of its programs include controversial speakers or subjects.

◄Rev►. ◄Rul►. 66-257, 1966-2 C.B. 212: A nonprofit organization formed and operated to help elderly unemployed persons of limited means obtain employment by providing them free counseling and placement services and by educating the general public in the employment capabilities of the elderly qualifies for exemption under Code section 501(c)(3). Revenue Ruling 57-297 distinguished.

◄Rev►. ◄Rul►. 66-258, 1966-2 C.B. 213: A nonprofit organization created to elevate the standards of ethics and morality in the conduct of political campaigns by publicizing its code of fair campaign practices through newspapers, radio, and television, and by furnishing aids to political science and civics teachers for use in school classes, may qualify for exemption under Code section 501(c)(3).

◄Rev►. ◄Rul►. 66-259, 1966-2 C.B. 214: A trust that provides for the reversion of principal on termination to the creator does not qualify for exemption under Code section 501(c)(3).

◄Rev►. ◄Rul►. 66-260, 1966-2 C.B. 225: An organization qualifies for exemption under Code section 501(c)(6) where it is created to investigate and prosecute criminal, fraudulent, and unethical conduct on the part of lawyers, doctors, and laymen in the matter of casualty claims against insurance companies.

◄Rev►. ◄Rul►. 66-273, 1966-2 C.B. 222: A nonprofit organization may qualify for exemption under Code section 501(c)(4) where it provides a community with facilities for rifle, pistol, and shotgun practice and instructions in the safe handling and proper care of weapons.

◄Rev►. ◄Rul►. 66-295, 1966-2 C.B. 207: The acquisition with borrowed funds of oil and gas production payments from properties in which there is no ownership of working interests will not preclude exemption of an organization that otherwise meets the requirements for exemption under Code section 501(c)(2).

◄Rev►. ◄Rul►. 66-296, 1966-2 C.B. 215: A nonprofit organization may qualify for exemption under Code section 501(c)(3) if it obtains funds for charitable grants and contributions by acquiring, with borrowed money, oil and gas production payments.

◄Rev►. ◄Rul►. 66-323, 1966-2 C.B. 216: A blood bank organized and operated exclusively for scientific and charitable purposes, to provide a community with permanent facilities for collecting and storing human blood and blood products, and to provide for the public distribution thereof, may be exempt under Code section 501(c)(3).

◄Rev►. ◄Rul►. 66-338, 1966-2 C.B. 226: An organization formed to promote the interests of a particular retail trade that advises its members in the operation of their individual

businesses and sells supplies and equipment to them is not exempt under Code section 501 (c)(6).

◄Rev►. ◄Rul►. 66-354, 1966-2 C.B. 207: An organization organized and operated under a collective bargaining agreement, to receive federal and state employment taxes that manufacturer members are required to deduct from the wages of employees of a union, and pay those taxes over to taxing authorities, does not qualify for exemption as an organization described in Code section 501(c)(4), 501(c)(5), 501(c)(6), 501(c)(9), or any other of the subsections of section 501(c) because it does not serve any of the exempt purposes described therein.

◄Rev►. ◄Rul►. 66-358, 1966-2 C.B. 218: Acceptance of a contribution of park land by an exempt organization will not affect its exempt status under Code section 501(c)(3) even though the donor retained the right to continue using the picture of a certain scenic view in the park as its brand symbol.

◄Rev►. ◄Rul►. 66-359, 1966-2 C.B. 219: A nonprofit organization may qualify for exemption under Code section 501(c)(3) where it is organized and operated to promote humane treatment of laboratory animals by carrying on a program for the accreditation of animal care facilities that supply, keep, and care for animals used by medical and scientific researchers.

◄Rev►. ◄Rul. 66-360, 1966-2 C.B. 228: When a national sorority is created and controlled by a business corporation engaged in furnishing services and supplies to the sorority and its member chapters, neither the sorority nor its chapters can qualify for exemption under Code section 501(c)(7) or 501(c)(4).

Internal Revenue Service
United States Department of the Treasury

Revenue Rulings Archive - 1967

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Rev. Rul. 67-5, 1967-1 C.B. 123: A foundation controlled by its creator's family and operated to enable the creator and his family to engage in financial activities beneficial to them, but detrimental to the foundation, operates for a substantial non-exempt purpose and serves the private interests of the creator and his family and is not entitled to exemption from federal income tax under section 501(c)(3) of the Internal Revenue Code.

Rev. Rul. 67-6, 1967-1 C.B. 135: An association whose activities are primarily devoted to preserving the traditions, architecture, and appearance of a community by individual and group action before the local legislature and administrative agencies on zoning, traffic, and parking regulations may be exempt under Code section 501(c)(4), but is not exempt under section 501(c)(3).

Rev. Rul. 67-7, 1967-1 C.B. 137: An organization established by a labor union to provide strike and lockout benefits to members may be exempt as a labor organization under Code section 501(c)(5).

Rev. Rul. 67-8, 1967-1 C.B. 142: A nonprofit membership corporation formed to bring the members of a family into closer association through social and historical activities is exempt under Code section 501(c)(7).

Rev. Rul. 67-9, 1967-1 C.B. 143: An organization denied exemption because it engaged in a prohibited transaction described in section 503(c)(1) may not reestablish exemption until the loan which was the prohibited transaction has been repaid or adequately secured.

Rev. Rul. 67-71, 1967-1 C.B. 125: A nonprofit organization created to improve a public educational system is not exempt under Code section 501(c)(3) where it campaigns on behalf of candidates for election to the school board.

Rev. Rul. 67-72, 1967-1 C.B. 125: An organization created by representatives of labor and management to select individuals for apprentice training, arrange their training, and provide books and supplies used in the training, is exempt from federal income tax under Code section 501(c)(3).

Rev. Rul. 67-73, 1967-1 C.B. 152: A trust fund maintained by a bank to invest and reinvest funds contributed by the bank as trustee of certain section 501(c)(3) charitable trusts, qualifies as a common trust fund under Code section 584, if the fund is otherwise operated in conformity with rules of the Comptroller of the Currency relating to the collective investment of trust funds by national banks.

Rev. Rul. 67-77, 1967-1 C.B. 138: An organization of dealers in a make of automobile in an area, organized and operated primarily to finance general advertising campaigns to promote the sale of that make of automobile, is performing particular services for its members and is not entitled to exemption as a business league under Code section 501(c)(6).

◀Rev▶. ◀Rul▶. 67-80, ◀1967-1▶ C.B. 143: In determining the gross amount of premiums written or received on insurance contracts during a taxable year, for purposes of Code section 501(c)(15), premiums are taken into account without deduction for amounts paid or incurred for reinsurance or for return premiums.

◀Rev▶. ◀Rul▶. 67-104, ◀1967-1▶ C.B. 120: Where a section 501(c)(2) title holding corporation retains part of its income to apply to indebtedness on property to which it holds title, such retention may be treated as if the parent received the income and used it to make a contribution to the capital of the corporation which applied such contribution to the indebtedness.

◀Rev▶. ◀Rul▶. 67-109, ◀1967-1▶ C.B. 136: A nonprofit corporation organized and operated to establish and maintain a roller skating rink as a recreational facility for residents of a county, in collaboration with the county government, in a county-owned building it occupies rent free, may qualify for exemption under Code section 501(c)(4) where the rink is open to the general public upon payment of nominal dues and admissions charges as needed to defray operating expenses.

◀Rev▶. ◀Rul▶. 67-138, ◀1967-1▶ C.B. 129: A nonprofit organization created to provide instruction and guidance to low-income families needing adequate housing and interested in building their own homes may be exempt from federal income tax under Code section 501(c)(3).

◀Rev▶. ◀Rul▶. 67-139, ◀1967-1▶ C.B. 129: Gem and mineral clubs and a federation of such clubs may qualify for exemption under Code section 501(c)(3) or 501(c)(7) depending upon their forms of organization and methods of operation.

◀Rev▶. ◀Rul▶. 67-148, ◀1967-1▶ C.B. 132: A nonprofit organized formed to study, research, and reenact Civil War battles may be exempt under Code section 501(c)(3).

◀Rev▶. ◀Rul▶. 67-149, ◀1967-1▶ C.B. 133: An organization formed to provide financial assistance to section 501(c)(3) organizations but conducting no operations other than to receive contributions, invest income, and make distributions to such organizations, is exempt from federal income tax under Code section 501(c)(3).

◀Rev▶. ◀Rul▶. 67-150, ◀1967-1▶ C.B. 133: A nonprofit organization that helps rehabilitate ex-convicts and parolees in order to make them self-supporting and useful citizens may be exempt from federal income tax under Code section 501(c)(3).

◀Rev▶. ◀Rul▶. 67-151, ◀1967-1▶ C.B. 134: An organization formed and operated to prevent children from working in hazardous trades and occupations in violation of state laws may be exempt as organized and operated exclusively to prevent cruelty to children within the meaning of Code section 501(c)(3).

◀Rev▶. ◀Rul▶. 67-175, ◀1967-1▶ C.B. 139: Subsidizing a lawsuit for an injunction to prevent air pollution of a region did not cause an organization of growers and processors of agricultural products to lose its exemption from federal income tax under Code section 501(c)(6).

◀Rev▶. ◀Rul▶. 67-176, ◀1967-1▶ C.B. 140: An organization formed to provide specific services to members of a given profession and to those preparing to enter the profession on matters relating to their practices does not qualify for exemption under Code section 501(c)(6).

◀Rev▶. ◀Rul▶. 67-182, ◀1967-1▶ C.B. 141: An organization whose only activity is providing a reference library of *electric logs*, maps, and information services used solely by its members in their oil exploration businesses is not exempt as an organization described in Code section 501(c)(6).

◀Rev▶. ◀Rul▶. 67-216, 1967-2 C.B. 180: A nonprofit organization formed and operated exclusively to instruct the public on agricultural matters by conducting annual public fairs and exhibitions of livestock, poultry, and farm products may qualify for exemption under Code section 501(c)(3).

◀Rev▶. ◀Rul▶. 67-217, 1967-2 C.B. 181: A nonprofit organization may be exempt under Code section 501(c)(3) where it is formed to provide housing and food service exclusively for students and faculty of a university under the university's rules and regulations and offers the university an option to acquire the property at any time upon payment of an amount equal to the outstanding indebtedness.

◀Rev▶. ◀Rul▶. 67-218, 1967-2 C.B. 218: Income derived from a lease of a pipeline system, consisting of right-of-way interests in land, equipment, and other appurtenant properties, is rent from real property (including personal property leased with the real property) within the meaning of Code section 512(b)(3).

◀Rev▶. ◀Rul▶. 67-219, 1967-2 C.B. 210: Circumstances under which income from conducting an industry trade show by a section 501(c)(6) exempt organization will not be subject to the unrelated business income tax imposed by Code section 511. Revenue Ruling 58-224 distinguished.

◀Rev▶. ◀Rul▶. 67-250, 1967-2 C.B. 182: A nonprofit organization that educates the public on the need and desirability for making housing available on a nondiscriminatory basis and encourages investment in such housing may be exempt under Code section 501(c)(3).

◀Rev▶. ◀Rul▶. 67-251, 1967-2 C.B. 196: A business league that extends financial aid and welfare services to members does not qualify for exemption under Code section 501(c)(6), because part of its net earnings inures to the benefit of private individuals.

◀Rev▶. ◀Rul▶. 67-252, 1967-2 C.B. 195: A nonprofit organization whose members are processors, packers, and distributors of agricultural products may be exempt under Code section 501(c)(6) rather than section 501(c)(5).

◀Rev▶. ◀Rul▶. 67-264, 1967-2 C.B. 196: An association of nonprofit consumer cooperatives that promotes the cooperative method of doing business may qualify for exemption from federal income tax under Code section 501(c)(6).

◀Rev▶. ◀Rul▶. 67-265, 1967-2 C.B. 205: An association that furnishes light and water to members on a cooperative basis may qualify for exemption as a *like* organization under Code section 501(c)(12), if 85 percent or more of its income consists of amounts collected from members for the sole purpose of meeting losses and expenses.

◀Rev▶. ◀Rul▶. 67-290, 1967-2 C.B. 183: A public hospital corporation, organized under a statute giving it the power to acquire by the right of eminent domain property essential to its purposes, may qualify for exemption under Code section 501(c)(3); the power of eminent domain is not a regulatory or enforcement power of the type referred to in Revenue Ruling 60-384.

◀Rev▶. ◀Rul▶. 67-291, 1967-2 C.B. 184: A nonprofit organization that subsidizes a training table for coaches and members of a university's athletic teams furthers the educational program of the university and may be exempt from federal income tax under Code section 501(c)(3).

◀Rev▶. ◀Rul▶. 67-292, 1967-2 C.B. 184: An organization formed to develop a sanctuary for wild birds and animals for the education of the public may be exempt as an educational organization under Code section 501(c)(3).

◀Rev▶. ◀Rul▶. 67-293, 1967-2 C.B. 185: An organization substantially engaged in promoting legislation to protect or otherwise benefit animals is not exempt under Code section 501(c)(3), even though the legislation it advocates may be beneficial to the community and most of the attempts to influence legislation may be indirect.

◀Rev▶. ◀Rul▶. 67-294, 1967-2 CB. 193: A nonprofit organization created to make loans to business entities as an inducement to locate in an economically depressed area in order to alleviate unemployment may be exempt from federal income tax under Code section 501(c)(4).

◀Rev▶. ◀Rul▶. 67-295, 1967-2 C.B. 197: An organization of businessmen may qualify for exemption from federal income tax under Code section 501(c)(6) where its activities are

limited to holding luncheon meetings devoted to discussing, reviewing, and considering problems in a particular industry directed to the improvement of business conditions as a whole.

◀Rev▶. ◀Rul▶. 67-296, 1967-2 C.B. 212: Income from the conduct of classes by a professional association exempt from tax under Code section 501(c)(6), to qualify persons for a specific status within the particular profession, is not from unrelated trade or business subject to the tax imposed by section 511.

◀Rev▶. ◀Rul▶. 67-302, 1967-2 C.B. 203: A social club that agreed its lessor would manage and operate its facilities may qualify for exemption under Code section 501(c)(7), where the club retains control over the selection of its membership and the amount of initiation fees and dues, and has an option to purchase the property leased by the club and terminate the agreement.

◀Rev▶. ◀Rul▶. 67-325, 1967-2 C.B. 113: An organization that provides recreational facilities without charge to residents of a township is not organized and operated exclusively for charitable purposes where the basis for charitable qualification is dedication of the facilities involved to community use and the use of the facilities is restricted to less than the entire community based on race.

◀Rev▶. ◀Rul▶. 67-327, 1967-2 C.B. 187: A nonprofit organization whose only activity is arranging group tours for students and faculty of a university to allow them to travel abroad is not entitled to exemption from federal income tax under Code section 501(c)(3).

◀Rev▶. ◀Rul▶. 67-342, 1967-2 C.B. 187: A nonprofit organization formed and operated to educate the public on the need for international cooperation in order to create and maintain a peaceful world and which disseminates its educational material by means of commercial television may qualify for exemption from federal income tax under Code section 501(c)(3).

◀Rev▶. ◀Rul▶. 67-343, 1967-2 C.B. 198: The wives of members of a business league, exempt under Code section 501(c)(6), who form an organization to help advance their husbands' profession have a common business interest for purposes of section 501(c)(6); thus, the organization may qualify for exemption under that section.

◀Rev▶. ◀Rul▶. 67-344, 167-2 C.B. 199: An organization of packaging manufacturers which includes in its industry advertising references to brand name products merchandised in its packaging material may be exempt from federal income tax under Code section 501(c)(6).

◀Rev▶. ◀Rul▶. 67-367, 1967-2 C.B. 188: A nonprofit organization whose sole activity is operating a *scholarship* plan for making payments to pre-selected, specifically named individuals does not qualify for exemption from federal income tax under Code section 501(c)(3).

◀Rev▶. ◀Rul▶. 67-368, 1967-2 C.B. 194: An organization whose primary activity is rating candidates for public office is not exempt from federal income tax under Code section 501(c)(4) because such activity is not the promotion of social welfare.

◀Rev▶. ◀Rul▶. 67-381, 1967-2 C.B. 189: An organization described in Code section 501(c)(3) will not lose its exempt status where it accepts and pays premiums on an insurance policy in which the assignor retains the right to select the method of payment of the proceeds of the policy due upon his death.

◀Rev▶. ◀Rul▶. 67-390, 1967-2 C.B. 179: Requirement for new applications for exemption in case of a change in the structure of organizations exempt under Code section 501(a).

◀Rev▶. ◀Rul▶. 67-391, 1967-2 C.B. 190: A nonprofit organization formed to develop and distribute a community land-use plan may be exempt from federal income tax under Code section 501(c)(3).

◀Rev▶. ◀Rul▶. 67-392, 1967-2 C.B. 191: A nonprofit organization that promotes the advancement of young musical artists by conducting weekly workshops, sponsoring public concerts by the artists, and securing paid engagements for the artists to improve their professional standing may be exempt under Code section 501(c)(3).

◀Rev▶. ◀Rul▶. 67-393, 1967-2 C.B. 200: An organization formed to make recommendations about rates, tariffs, rules, regulations, and practices for its members who are regulated by the Interstate Commerce Commission and to publish the prevailing rates may be exempt under Code section 501(c)(6).

◀Rev▶. ◀Rul▶. 67-394, 1967-2 C.B. 201: An organization of licensed small loan companies may qualify for exemption under Code section 501(c)(6), if formed and operated as described.

◀Rev▶. ◀Rul▶. 67-397, 1967-2 C.B. 408: Payments to section 501(c)(3) exempt hospitals from federal, state, and local governments, for the care of patients, are not *funds contributed by the United States or any State* within the meaning of Code section 6033, for the purpose of determining whether the hospital is required to file Form 990.

◀Rev▶. ◀Rul▶. 67-428, 1967-2 C.B. 204: A federation of clubs does not qualify for exemption from federal income tax under Code section 501(c)(7).

◀Rev▶. ◀Rul. 67-447, 1967-2 C.B. 121: A school for the study of ballet which offers a formal college preparatory program at the high school level and has a regular curriculum, a regular faculty, and a regular enrollment of students in attendance at the place where its educational activities are carried on, is an educational organization within the meaning of Code section 170(b)(1)(A)(ii).

Internal Revenue Service
United States Department of the Treasury

Revenue Rulings Archive - 1978

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Rev. Rul. 78-41, 1978-1 C.B. 148: A trust created by an exempt hospital to accumulate and hold funds to satisfy malpractice claims against the hospital, and from which the hospital directs the bank-trustee to make payments to claimants, is operated exclusively for charitable purposes and is exempt from tax under Internal Revenue Code section 501(c)(3).

Rev. Rul. 78-42, 1978-1 C.B. 158: A nonprofit apprenticeship and training committee formed by a union and an employers' association of a particular industry in connection with a collective bargaining agreement is exempt under Code section 501(c)(5) where it (1) conducts educational courses and programs for local members, employees, or associates of the industry to ensure that local standards on the quality of work conform with national industry codes, and (2) selects and supervises the training of apprentices.

Rev. Rul. 78-43, 1978-1 C.B. 164: A travel tour program operated by a section 501(c)(3) university alumni association for members and their families, pursuant to which the association, working with travel agencies, schedules several tours annually to destinations around the world, mails out promotional material, accepts reservations, and is paid a fee by the travel agencies on a per person basis, is an unrelated trade ore business under Code section 513.

Rev. Rul. 78-45, 1978-1 C.B. 378: An amount contributed by a private foundation to another private foundation that, in the taxable year after the year in which it received the contribution, established an approved set-aside in the amount of the contribution and made a valid election to treat the entire amount of the set-aside as a distribution out of corpus, may be treated by the donor foundation as a qualifying distribution under Code section 4942.

Rev. Rul. 78-50, 1978-1 C.B. 155: A nonprofit organization that processes consumer complaints about products and services provided by businesses, meets with the parties to encourage resolution, recommends a fair solution, and, if the proposed solution is not accepted, informs the parties about appropriate judicial or administrative bodies that may be used to resolve the disputes, qualifies for exemption under Code section 501(c)(4).

Rev. Rul. 78-51, 1978-1 C.B. 165: Sale at a profit of standard legal forms to its members by a local bar association exempt under Code section 501(c)(6) is an unrelated trade or business under section 513.

Rev. Rul. 78-52, 1978-1 C.B. 166: A section 501(c)(6) exempt association of credit unions that, as part of its activities, publishes and sells to members a consumer-oriented magazine designed as a promotional device for distribution to depositors, is engaged in an unrelated trade or business.

Rev. Rul. 78-68, 1978-1 C.B. 149: An organization formed as a Model Cities demonstration project to provide bus transportation to isolated areas of a community not served by the existing bus system is providing bus service under the authority of the federal and local governments, and qualifies for exemption under Code section 501(c)(3).

Rev. Rul. 78-69, 978-1 C.B. 156: A nonprofit organization formed by residents of a

suburban community to provide bus transportation between the community and employment centers during rush hours when the regular bus service is inadequate qualifies for exemption under Code section 501(c)(4).

◄Rev►. ◄Rul►. 78-70, 1978-1 C.B. 159: A board of trade that, as its principal activity, provides grain analysis laboratory services to members and nonmembers at the same charge and that is supported almost entirely from the profits of the laboratory, which is of a kind customarily carried on for profit, is not exempt under Code section 501(c)(6).

◄Rev►. ◄Rul►. 78-77, 1978-1 C.B. 378: A private foundation's purchase of property from a testamentary trust is not an act of self-dealing merely because a banking institution is the trustee of both the foundation and the testamentary trust, where the trust is not a disqualified person under Code section 4946(a) with respect to the foundation.

◄Rev►. ◄Rul►. 78-82, 1978-1 C.B. 70: A section 501(c)(3) organization that offers lectures, workshops, and short courses on oriental philosophies and psychic phenomena, led by invited authorities and noted personalities in those fields and open to the general public as well as members, is not an educational organization within the meaning of section 170(b)(1)(A)(ii).

◄Rev►. ◄Rul►. 78-84, 1978-1 C.B. 150: An organization formed by citizens of a community to promote civic pride in the community, the state, and the country by providing a color guard and conducting flag-rising and other ceremonies at patriotic and community functions is promoting patriotism, a recognized charitable objective, and qualifies for exemption under Code section 501(c)(3).

◄Rev►. ◄Rul►. 78-85, 1978-1 C.B. 150: A nonprofit organization formed by residents of a city to help preserve, beautify, and maintain a public park located in the city and whose support is derived from membership dues and contributions from the general public, is operated exclusively for charitable purposes and qualifies for exemption under Code section 501(c)(3).

◄Rev►. ◄Rul►. 78-86, 1978-1 C.B. 152: The Service will not follow the decision in *Monterey Public Parking Corporation v. United States*, 481 F.2d 175 (9th Cir. 1973), that an organization formed by merchants to establish and operate a public off-street parking facility that provides free or reduced-rate parking for the merchants' customers through a validation stamp system qualifies for exemption as either a charitable corporation under Code section 501(c)(3) or a social welfare organization under section 501(c)(4).

◄Rev►. ◄Rul►. 78-87, 1978-1 C.B. 160: A fraternal beneficiary society that conducts an insurance operation for its members in all 50 states does not lose its exempt status by participating in a state-sponsored reinsurance pool that protects participating insurers from excessive losses on major medical health and accident insurance.

◄Rev►. ◄Rul►. 78-88, 1978-1 C.B. 163: Income an exempt organization derives from the temporary transfer of securities to a brokerage house to cover short sales by the brokerage house in exchange for collateral of equal value, which is held by the organization pursuant to a contract requiring the brokerage house to pay the organization an amount equivalent to the dividend or interest income that would have been earned by the securities plus either a premium based on a percentage of the value of the securities or income earned from investing the collateral, is not subject to tax under Code section 511.

◄Rev►. ◄Rul►. 78-90, 1978-1 C.B. 380: Low-interest loans by a private foundation, established to help the blind secure employment, that are made to blind persons who desire to establish themselves in business but who are unable to obtain funds through commercial sources, are program-related investments under Code section 4944(c) and qualifying distributions under section 4942(g).

◄Rev►. ◄Rul►. 78-95, 1978-1 C.B. 71: The two percent limitation prescribed by section 1.170A-9(e)(6)(i) of the Income Tax Regulations does not apply to the support received by an exempt charitable organization from individual churches described in Code section 170(b)(1)(i) that are publicly supported and entitled to section 170(b)(1)(A)(vi) status.

◄Rev►. ◄Rul►. 78-98, 1978-1 C.B. 167: Recreational use of a ski facility operated by an exempt school by the school's students is substantially related to the school's exempt

purposes and income derived from such use is not from an unrelated trade or business under Code section 513; income from use of the facility by members of the public is from unrelated trade or business, however.

◄Rev►. ◄Rul►. 78-99, 1979-1 C.B. 152: A nonprofit organization formed to provide counseling to widows to help them in legal, financial, and emotional problems caused by the death of their husbands, and that provides the widows with information on available benefits and services, is operated exclusively for educational purposes and qualifies for exemption under Code section 501(c)(3).

◄Rev►. ◄Rul►. 78-100, 1978-1 C.B. 162: A communal religious organization formed to promote the tenets and practices of a particular church, that does not conduct any business activities and is supported by wages earned by some of its members from outside employment, does not qualify for exemption under Code section 501(d).

◄Rev►. ◄Rul►. 78-102, 1978-1 C.B. 379: The correct conversion date of real property converted by a private operating foundation from nonexempt to exempt uses, for purposes of treating the conversion as a qualifying distribution under section 53.4942(a)-3(a)(5) of the regulations, is the date the foundation adopts and immediately proceeds to implement a plan for the property's exempt use, even though the conversion is not completed until the following year.

◄Rev►. ◄Rul►. 78-131, 1978-1 C.B. 157: A nonprofit organization whose purpose is to develop and encourage interest in painting, sculpture, and other art forms by conducting, in a noncommercial manner, a community art show qualifies for exemption as an organization operated exclusively for the promotion of social welfare under Code section 501(c)(4).

◄Rev►. ◄Rul►. 78-132, 1978-1 C.B. 157: A community cooperative organization formed to facilitate the exchange of personal services among members is operating primarily for the private benefit of its members and is not exempt from tax as a social welfare organization under Code section 501(c)(4).

◄Rev►. ◄Rul►. 78-143, 1978-1 C.B. 162: A nonprofit organization, not associated with a cemetery company, formed by citizens of a community to maintain a cemetery whose lots were purchased from a landowner, qualifies for exemption under Code section 501(c)(13).

◄Rev►. ◄Rul►. 78-144, 1978-1 C.B. 168: A section 501(c)(3) organization's leasing of heavy machinery under long-term lease agreements requiring the lessee to provide insurance, pay applicable taxes, and make and pay for most repairs, with the functions of securing leases and processing payments performed for the organization without compensation, is not excepted from the term *unrelated trade or business* by reason of Code section 513(a)(1).

◄Rev►. ◄Rul►. 78-145, 1978-1 C.B. 169: Sale of plasma to commercial laboratories by an exempt blood bank, engaged in collecting and maintaining blood products for use by hospitals, is not unrelated trade or business where the blood bank sells either by-product plasma from which red blood cells have been removed for use by hospitals or plasma salvaged from whole blood nearing the end of its shelf life; sale of plasma derived from donors through plasma-pheresis or purchased from other blood banks is unrelated trade or business, however.

◄Rev►. ◄Rul►. 78-148, 1978-1 C.B. 380: A private foundation may set aside under Code section 4942(g), by means of a bookkeeping entry, the amount by which its minimum investment return for its immediately preceding taxable year exceeds its adjusted net income for that year.

◄Rev►. ◄Rul►. 78-189, 1978-1 C.B. 68: A "fixed donation" paid to the Church of Scientology for general education courses, religious education courses, and "auditing" and processing courses that does not exceed the fair market value of these courses is not a charitable contribution within the meaning of Code section 170.

◄Rev►. ◄Rul►. 78-225, 1978-1 C.B. 160: A nonprofit organization (1) operated to promote the common business interests of its members, a majority of whose businesses are located in a particular shopping center, (2) with a voluntary membership open to all businesses in a community, and (3) not concerned with landlord-tenant matters relating to the shopping center, qualifies for exemption under Code section 501(c)(6).

◄Rev►. ◄Rul►. 78-232, 1978-1 C.B. 69: An individual who claims to be a minister, organizes a church, deposits salary checks for salary from outside employment in the church's bank account, and uses the funds of the account for living expenses, is not entitled to a charitable contribution deduction for the amount of the salary checks.

◄Rev►. ◄Rul►. 78-238, 1978-1 C.B. 161: IRS will not follow the decision in *Peninsula Light Co., Inc. v,. United States,* 552 F.2d 878 (9th Cir. 1977), that an organization formed to distribute electric power to members, not operated on a patronage basis, whose charter instead provides that each member has an equal share in the organization's assets, with its net assets upon dissolution to be divided equally among its then-current members, and whose former members' rights and interests are forfeited upon termination of membership, qualifies for exemption as a mutual or cooperative organization under Code section 501(c)(12).

◄Rev►. ◄Rul►. 78-239, 1978-1 C.B. 162: The dates of a *period of war*, for purposes of the definition of war veterans in section 1.501(c)(19)-1(b)(1) of the Income Tax Regulations, is the dates of periods of war set forth in 38 U.S.C. § 101 relating to veterans' benefits.

◄Rev►. ◄Rul►. 78-240, 1978-1 C.B. 170: A section 501(c)(6)business league that receives reasonable compensation for sponsoring and endorsing an international commercial trade show, which is not a sales facility and at which the league performs educational and supporting services, is not engaged in unrelated trade or business under Code section 513.

◄Rev►. ◄Rul►. 78-248, 1978-1 C.B. 154: Certain "voter education" activities conducted in a nonpartisan manner by a section 501(c)(3) exempt organization, will not be prohibited political activity disqualifying the organization from exemption.

◄Rev►. ◄Rul►. 78-268, 1978-2 C.B. 10: The portion of an electric generating facility owned by two investor-owned utilities as tenants in common with a municipally-owned utility and a tax-exempt section 501(c)(12) cooperative may qualify as section 38 property.

◄Rev►. ◄Rul►. 78-288, 1978-2 C.B. 179: An organization whose members are engaged in harness racing in a specific geographical area as drivers, trainers, and horse owners, most of whom are independent contractors or entrepreneurs, that negotiates with operators of area raceways for larger purses, better hours, and safer operating conditions does not qualify for exemption as a labor organization under Code section 501(c)(5).

◄Rev►. ◄Rul►. 78-289, 1978-2 C.B. 180: An organization whose exemption from tax under section 501(a) is revoked prospectively under the authority of section 7805(b) is subject to the unrelated business income tax for the period covered by section 7805(b) relief.

◄Rev►. ◄Rul►. 78-305, 1978-2 C.B. 172: A nonprofit organization formed to educate the public about homosexuality in order to foster an understanding and tolerance of homosexuals and their problems qualifies for exemption under Code section 501(c)(3).

◄Rev►. ◄Rul►. 78-309, 1978-2 C.B. 123: A section 501(c)(3) organization, whose primary activity is providing courses of study in one of the martial arts consisting of regularly scheduled participatory exercises and theoretical discussions taught by a faculty of qualified instructors to a regularly scheduled student body, is an educational organization within the meaning of section 170(b)(1)(A)(ii), and, therefore, is not a private foundation.

◄Rev►. ◄Rul►. 78-310, 1978-2 C.B. 173: An otherwise qualifying nonprofit organization formed to assist a school's law students, chosen based on merit and interest, to obtain practical experience with exempt public interest law firms and legal aid societies and that supplements the nominal salaries paid the students by participating firms and societies and obtains its funds from contributions of students and alumni, is operated exclusively for charitable and educational purposes and qualifies for exemption under Code section 501(c)(3).

◄Rev►. ◄Rul►. 78-315, 1978-2 C.B. 271: An otherwise qualifying trust whose sole activity is operating a cultural center makes distributions qualifying it as an operating foundation under Code section 4942(j)(3)(A) when it turns over substantially all its annual adjusted net income to a separate corporation that, acting only in a fiduciary capacity on behalf of the trust, disburses such amount in a timely manner in the center's operation.

◄Rev►. ◄Rul►. 78-384, 1978-2 C.B. 174: A nonprofit organization that owns farmland and restricts its use to farming or other uses the organization deems ecologically suitable, but is not operated of the purpose of preserving ecologically significant land and does not otherwise establish that it serves a charitable purpose, does not qualify for exemption under Code section 501(c)(3). ◄Rev►. ◄Rul►. 76-204 is distinguished.

◄Rev►. ◄Rul►. 78-385, 1978-2 C.B. 175: A section 501(c)(3) organization is engaged in a taxable unrelated trade or business when, as an insubstantial part of its activities, it presents commercial broadcasting programs, religious or educational in nature, and sells advertising.

◄Rev►. ◄Rul►. 78-386, 1978-2 C.B. 180: A private foundation that supports only an organization that is terminating its private foundation status under an advance ruling pursuant to Code section 507(b)(1)(B)(i), and otherwise qualifies under section 1.509(a)-(4) of the regulations may be given an advance ruling that it can reasonably be expected to operate as a section 509(a)(3) organization and satisfy the requirements of section 507(b)(1)(B)(i) during its own 60-month termination period.

◄Rev►. ◄Rul►. 78-387, 1978-2 C.B. 271: Where a private foundation having a carryover of excess qualify distributions as described in Code section 4942(i) transferred all its assets to another private foundation controlled by the same persons who controlled the first foundation, the transferee foundation may reduce its distributable amount under section 4942(d) by such carryover.

◄Rev►. ◄Rul►. 78-395, 1978-2 C.B. 270: A disqualified person's transfer to a private foundation of real property that is subject to a lien placed on the property by the disqualified person within the 10-year period ending on the transfer date is an acting of self-dealing, even though the lien was created as part of a multiphase financing plan begun more than 10 years earlier.

◄Rev►. ◄Rul►. 78-426, 1978-2 C.B. 175: An organization whose activities include inspecting, testing, and safety certification of cargo shipping containers and research, development, and reporting information in the field of containerization, is not operated exclusively for the purpose of testing for public safety or for scientific purposes, and does not qualify for exemption under section 501(c)(3).

◄Rev►. ◄Rul►. 78-428, 1978-2 C.B. 177: A nonprofit organization formed and operated to provide legal services to indigent persons at a fee based upon the indigent clients' abilities to pay qualifies for exemption under Code section 501(c)(3).

◄Rev►. ◄Rul►. 78-429, 1978-2 C.B. 178: A nonprofit organization (1) formed to operate an airport located on land owned by a municipality that supervises its overall operations, (2) used by the general public and key local businesses essential to the economy of a four-county rural area having no other airport facilities, (3) using volunteers to provide administrative and maintenance services for the organization, and (4) using income derived from government grants, hangar rentals, and the sale of gasoline and oil for permanent improvements, maintenance, and daily operations, qualifies for exemption under Code section 501(c)(4).

◄Rev►. ◄Rul►. 78-434, 1978-2 C.B. 179: A section 501(c)(6) exempt corporation, organized to finance crop operations, may own all the stock of a business corporation without loss of its exemption under that section.

◄Rev►. ◄Rul►. 78-435, 1978-2 C.B. 181: Sale of hearing aids to its patients by a section 501(c)(3) hospital whose primary activity is rehabilitating the handicapped, including those with hearing deficiencies, is not unrelated trade or business under Code section 513.

◄Rev►. ◄Rul. 78-446, 1978-2 C.B. 257: The exemptions from excise tax under Code sections 4041, 4221, and 4253, do not apply to sales of taxable liquids, articles, or communication services to a nonprofit children's day-care center for use in the center's Family Day Care Program that provides care for children in homes of a staff of trained child care personnel and operates according to the needs of the family being served; the exemptions do apply, however, to the center's Group Day Care and School Age Programs that normally maintain a regular faculty and curriculum and have a regularly enrolled student body of pupils or students in attendance at the place where its educational activities are regularly carried on.

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Revenue Ruling 79-11, 1979-1 C.B. 207: A separate bank account used for depositing political contributions and disbursing bona fide political campaign expenses qualifies as a political organization under Internal Revenue Code section 527.

Rev▶. ◀Rul▶. 79-12, 1979-1 C.B. 208: Amounts expended to enable an elected legislator to attend a political party's national convention as a delegate, which are paid from surplus funds from an earlier campaign maintained in a separate bank account qualifying as a political organization under Code section 527, are not includible in the legislator's gross income.

◀Rev▶. ◀Rul▶. 79-13, 1979-1 C.B. 208: Amounts expended for voter research, public opinion polls, and voter canvasses on behalf of an elected legislator who becomes a candidate for another political office, which are paid from surplus funds from an earlier campaign maintained in a separate bank account qualifying as a political organization under Code section 527, are not includible in the legislator's gross income.

◀Rev▶. ◀Rul▶. 79-17, 1979-1 C.B. 193: A nonprofit hospice, operated on both an inpatient and outpatient basis to alleviate the physical and mental distress of the terminally ill, is operated exclusively for charitable purposes and qualifies for exemption under Code section 501(c)(3).

◀Rev▶. ◀Rul▶. 79-18, 1979-1 C.B. 194: A nonprofit organization that provides specially designed housing to elderly persons at the lowest feasible cost and maintains in residence those tenants who subsequently become unable to pay its monthly fees, is an organization operated exclusively for charitable purposes within the meaning of Code section 501(c)(3).

◀Rev▶. ◀Rul▶. 79-19, 1979-1 C.B. 195: A nonprofit organization that provides specially designed housing to physically handicapped persons at the lowest feasible cost and maintains in residence those tenants who subsequently become unable to pay its monthly fees is operated exclusively for charitable purposes within the meaning of Code section 501 (c)(3).

◀Rev▶. ◀Rul▶. 79-26, 1979-1 C.B. 196: A nonprofit organization that provides information to the public about the public's right of access to the broadcast media and objectively evaluates the performance of local broadcasters in fulfilling their public service obligations is operated exclusively for charitable and educational purposes.

◀Rev▶. ◀Rul▶. 79-31, 1979-1 C.B. 206: The operation of a fringe parking lot and shuttle bus service by an organization exempt from tax under Code section 501(c)(6) whose primary purpose is to retain and stimulate trade in a city's downtown area is not an unrelated trade or business within the meaning of Code section 513; but the organization's operation of a park and shop plan in which patrons of member merchants receive stamps entitling them to free parking is an unrelated trade or business.

◀Rev▶. ◀Rul▶. 79-81, 1979-1 C.B. 107: Amounts paid to an exempt religious organization by *sponsors*, who are solicited by individual members of a work-study program that includes attendance at the organization's theological college, to pay the approximate cost of the

individual's tuition, room, and board at the college are not deductible under Code section 170.

◀Rev▶. ◀Rul▶. 79-122, 1979-1 C.B. 205: Employer securities purchased by a pension plan qualified under Code section 401(a) are not debt-financed property under section 514, and dividends and interest earned on such securities are not unrelated business taxable income to the trust.

◀Rev▶. ◀Rul▶. 79-128, 1979-1 C.B. 197: A nonprofit organization whose membership is limited to the employees of an employer in a particular municipality and whose primary purpose is to obtain for its members discount prices on merchandise, services, and activities, is not exempt as a local association of employees under Code section 501(c)(4).

◀Rev▶. ◀Rul▶. 79-130, 1979-1 C.B. 332: Sales of taxable fuel and articles and communications services to a nonprofit corporation for its use in connection with regularly scheduled Yoga courses that are characterized by a regular faculty and curriculum and a regularly enrolled student body come within the excise tax exemption provided by Code sections 4041(g)(4), 4221(a)(5), and 4253(j).

◀Rev▶. ◀Rul▶. 79-131, 1979-1 C.B. 368: A private foundation that was created and funded by a for-profit company and that grants scholarships, based on objective standards, for the education of children of a particular community, regardless of whether the parents are employed by the company, is not operating an *employer-related* grant program subject to the guidelines of ◀Rev▶. Proc. 76-47.

◀Rev▶. ◀Rul▶. 79-145, 1979-1 C.B. 360: The federal excise taxes on wagering apply to a "Calcutta" that is operated in connection with a sports event by a nonprofit social club that allows members of similar social clubs to attend the events and uses a portion of entrance fees and wagers to help defray the expenses of operating the events.

◀Rev▶. ◀Rul▶. 79-200, 1979-1 C.B. 364: Method for a private foundation to use in computing the basis of delectable property for purposes of determining the cost depletion deduction used in determining *net investment income* under Code section 4940.

◀Rev▶. ◀Rul▶. 79-222, 1979-2 C.B. 236: The investment of an exempt employees' trust as a limited partner in a partnership carrying on an unrelated trade or business may result in unrelated business taxable income within the meaning of Code section 512.

◀Rev▶. ◀Rul▶. 79-223, 1979-2 C.B. 254: An irrevocable trust whose governing instrument provides for distribution of all ordinary income to charitable organizations described in Code section 170(c) by the close of the year following the year of receipt, addition of capital gains to corpus, and termination of the trust and distribution of corpus to the grantor no sooner than ten years and one month after its creation is allowed a deduction under section 642(c)(1) for amounts of gross income paid to the charitable organizations, except to the extent the trust has unrelated business income.

◀Rev▶. ◀Rul▶. 79-227, 1979-2 C.B. 185: Rules for remedial amendments of qualified retirement plans maintained by employers exempt from returns under Code section 6033.

◀Rev▶. ◀Rul▶. 79-316, 1979-2 C.B. 228: A nonprofit organization whose purpose is to prevent oil spills within a city port area and to develop a program for the containment and cleanup of liquid spills that do occur qualifies for exemption as a social welfare organization under Code section 501(c)(4), provided that its services are equally available to members and nonmembers and both members and nonmembers are charged on the same basis for the cleanup services rendered.

◀Rev▶. ◀Rul▶. 79-349, 1979-2 C.B. 233: Interest income earned by an exempt employees' trust from mortgage loans, which form a significant portion of the trusts' assets, do not enter into the computation of unrelated business taxable income under Code section 513, but service fee receipts earned in connection with such loans do enter into the computation.

◀Rev▶. ◀Rul▶. 79-358, 1979-2 C.B. 225: An otherwise qualifying organization that makes a private hospital room available to patients who can benefit medically from a private room but cannot afford the expense is operated exclusively for charitable purposes and is exempt from tax under Code section 501(c)(3).

◀Rev▶. ◀Rul▶. 79-359, 1979-2 C.B. 226: An otherwise qualifying organization whose purpose is to provide traditional burial services that directly support and maintain basic tenets and beliefs of a religion regarding burial of its members is operated exclusively for charitable purposes and is exempt from tax under Code section 501(c)(3).

◀Rev▶. ◀Rul▶. 79-360, 1979-1 C.B. 237: The operation of health club facilities in a commercial manner by an organization exempt from tax under Code section 501(c)(3), whose purpose is to provide for the welfare of young people, constitutes unrelated trade or business under section 513.

◀Rev▶. ◀Rul▶. 79-361, 1979-1 C.B. 237: The operation of a miniature golf course in a commercial manner by an organization exempt from tax under section 501(c)(3), whose purpose is to provide for the welfare of young people, constitutes unrelated trade or business under section 513.

◀Rev▶. ◀Rul▶. 79-365, 1979-2 C.B. 389: For purposes of Code sections 117(a) and 4945(g)(1), a private foundation's scholarship program for children of deceased or retired employees of a particular company is an *employer-related grant program* to which the guidelines of ◀Rev▶. Proc. 76-47 apply.

◀Rev▶. ◀Rul▶. 79-369, 1979-2 C.B. 226: An otherwise qualifying organization created to develop and promote an appreciation of contemporary symphonic and chamber music by recording and selling, primarily to educational institutions, new works of unrecognized composers as well as neglected works of more established composers is exempt from tax under Code section 501(c)(3).

◀Rev▶. ◀Rul▶. 79-370, 1979-2 C.B. 238: Sale by a section 501(c)(6) organization of a membership directory that contributes importantly to achieving the organization's purpose and confers no private commercial benefit on any of the members, whoa re the directory's sole purchasers, is not unrelated trade or business within the meaning of Code section 513. ◀Rev▶. ◀Rul▶. 74-38 is distinguished.

◀Rev▶. ◀Rul▶. 79-374, 1979-2 C.B. 387: Rental of office space by a private foundation to a disqualified person engaged in business activities in the same general subject area as the foundation's research constitutes, under the circumstances described in the ruling, self-dealing under Code section 4941(d)(1)(C).

◀Rev▶. ◀Rul▶. 79-375, 1979-2 C.B. 389: If a private foundation that has made a qualifying distribution equal to the purchase price of an asset donates the asset to a publicly supported charity, it will be allowed a second qualifying distribution to the extent that the fair market value of the asset on the date of contribution exceeds the amount of the first qualifying distribution under Code section 4942(g)(1).

◀Rev▶. ◀Rul. 79-403, 1979-2 C.B. 363: Residential treatment center for emotional disturbed children operates a school program that qualifies for the excise tax exemptions under Code sections 4041(g)(4), 4221(a)(5), and 4253(j).

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